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GREAT PLAINS ENERGY INC

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PROGRESS THROUGH PARTNERSHIP

2005 ANNUAL REPORT



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About the Cover

2005 was clearly a year where Great Plains Energy made significant "Progress Through Partnership." The development of KCP&L's Comprehensive Energy Plan was the result of an unprecedented level of collaboration with customers, shareholders, communities, environmentalists, regulators and others. The Plan provides a blueprint for meeting the growing energy demands of the Kansas City area for years to come.

The company's culture of collaboration was recognized both in our results and by our peers as the Edison Electric Institute (EEI) awarded KCP&L its Advocacy Excellence Award in recognition of the company's community outreach in development of its Comprehensive Energy Plan.

Michael Chesser, Chairman and CEO of Great Plains Energy, accepted the award on behalf of the entire Kansas City area, saying: "Working with stakeholders in our community resulted in a deeper understanding of issues and options which ultimately resulted in a much stronger plan. The dialogue around the issues was excellent. We're pleased that EEI has recognized our collaborative approach as a model for other utilities and communities to follow."

Our cover photo represents a myriad of constituents who had a hand in helping craft our Comprehensive Energy Plan that led to the EEI honor, and drove "Progress Through Partnership."

SELECTED FINANCIAL INFORMATION

| Year Ended December 31 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|--|---------|---------|---------|----------|
| Great Plains Energy ^(a) | | | | | |
| | (dollars in millions except per share amounts) | | | | |
| Operating revenues | \$2,605 | \$2,464 | \$2,148 | \$1,802 | \$1,399 |
| Income (loss) from continuing operations ^(b) | \$ 164 | \$ 174 | \$ 190 | \$ 137 | \$ (28) |
| Net income (loss) | \$ 162 | \$ 181 | \$ 145 | \$ 126 | \$ (24) |
| Basic and diluted earnings (loss) per common share from continuing operations | \$ 2.18 | \$ 2.39 | \$ 2.72 | \$ 2.16 | \$(0.49) |
| Basic and diluted earnings (loss) per common share | \$ 2.15 | \$ 2.49 | \$ 2.07 | \$ 1.99 | \$(0.42) |
| Total assets at year end | \$3,834 | \$3,799 | \$3,682 | \$3,517 | \$3,464 |
| Total redeemable preferred stock, mandatorily redeemable preferred securities and long-term debt (including current maturities) | \$1,143 | \$1,296 | \$1,347 | \$1,332 | \$1,342 |
| Cash dividends per common share | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 |
| Consolidated KCP&L ^(a) | | | | | |
| Operating revenues | \$1,131 | \$1,092 | \$1,057 | \$1,013 | \$1,287 |
| Income from continuing operations ^(c) | \$ 144 | \$ 143 | \$ 126 | \$ 103 | \$ 116 |
| Net income | \$ 144 | \$ 143 | \$ 117 | \$ 96 | \$ 120 |
| Total assets at year end | \$3,339 | \$3,337 | \$3,303 | \$3,139 | \$3,146 |
| Total redeemable preferred stock, mandatorily redeemable preferred securities and long-term debt (including current maturities) | \$ 976 | \$1,126 | \$1,336 | \$1,313 | \$1,311 |

- (a) Great Plains Energy's consolidated financial statements include results for all subsidiaries in operation for the periods presented. KCP&L's consolidated financial statements include its wholly owned subsidiary HSS. In addition, KCP&L's consolidated results of operations include KLT Inc. and GPP for all periods prior to the October 1, 2001, formation of Great Plains Energy.
- (b) This amount is before discontinued operations of \$(1.9), \$7.3, \$(44.8), \$(7.5) and \$4.3 million in 2005 through 2001, respectively. In 2002, this amount is before a \$3.0 million cumulative effect of a change in accounting principle.
- (c) This amount is before discontinued operations of \$(8.7), \$(4.0) and \$3.6 million in 2003 through 2001, respectively. In 2002, this amount is before a \$3.0 million cumulative effect of a change in accounting principle.

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STRATEGIC INTENT

Great Plains Energy's Strategic Intent, which is to demonstrate leadership in supplying and delivering electricity and energy solutions to meet our customers' needs, was launched nearly two years ago. In 2005, we continued executing our Strategic Intent.

We use five key areas to measure our progress:

- Achievement of top-tier operating performance
- Implementation of KCP&L's Comprehensive Energy Plan
- Success in the competitive supply business through Strategic Energy
- Realization of Great Plains Energy's "Winning Culture"
- Development and strengthening of relationships with our communities

Our collaborative approach of working with all constituents...from employees to customers to regulators and civic and community leaders...is the key to our success. It proves there is indeed progress through partnership.

Our Strategic Intent represents the hard work of thousands of individuals and is our vision for the type of company we want to be...both now and in the future...one that creates value for our shareholders and provides innovative energy solutions to our customers for years to come.

We accomplished much in 2005 and are very proud of our efforts. However, much work remains to be done, and our Strategic Intent will continue to guide everything we do.

BY THE NUMBERS

\$2.6 billion

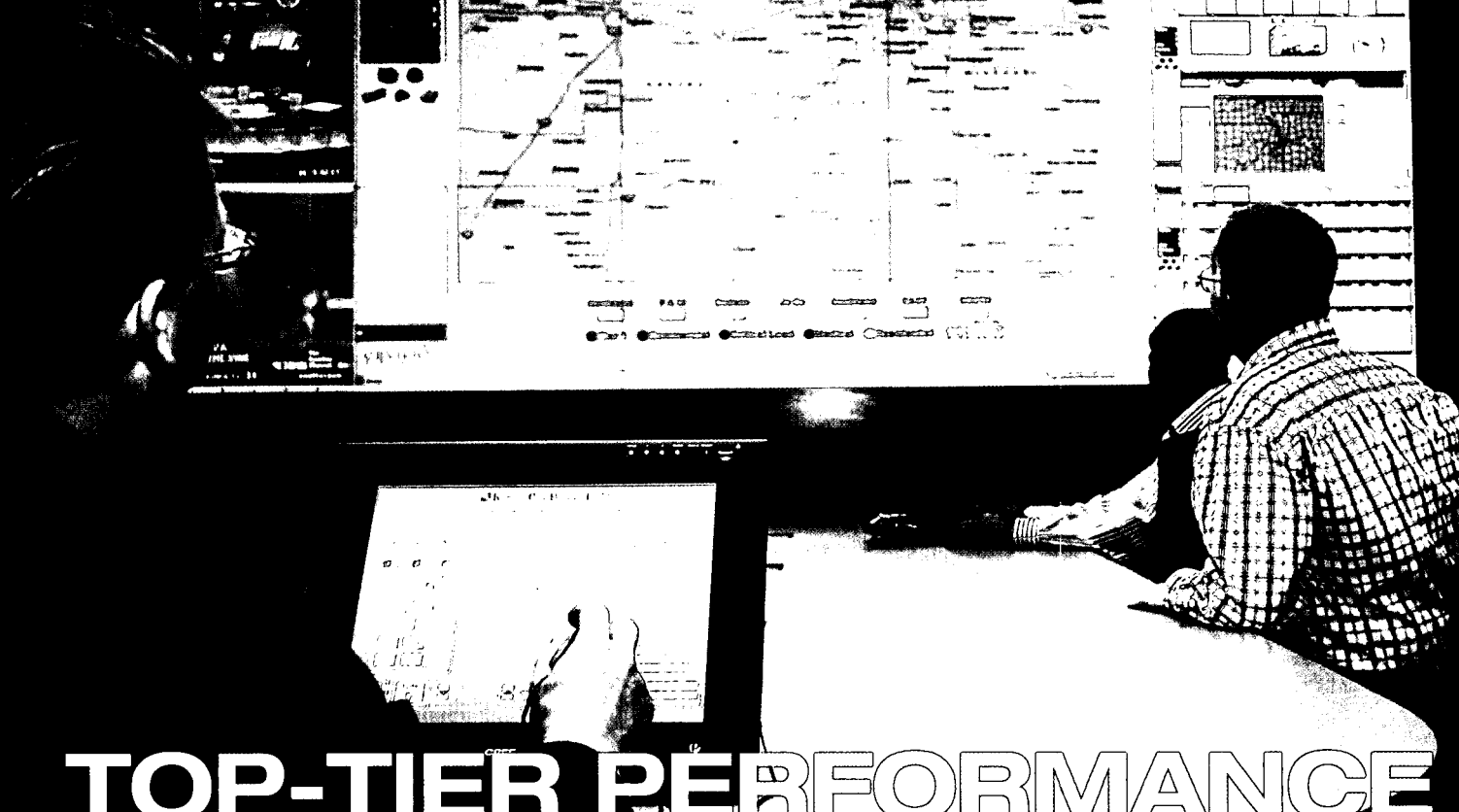
Great Plains Energy's
2005 revenue

500,000

Approximate number
of KCP&L customers

4,000

Megawatts
KCP&L generation capacity



TOP-TIER PERFORMANCE

Our customers count on us for sound advice, deep industry knowledge and a reliable supply of affordable electricity. We continue to deliver on this promise by striving for top-tier performance in all areas of our business operations, including safety, reliability, customer satisfaction and generation costs.

KCP&L is among the top 25 percent of utilities nationwide for lowest coal generation production costs. Our high level of coal fleet performance has led to increased wholesale revenue allowing us to keep our rates low. This performance and other efforts have resulted in current KCP&L residential rates being almost 10 percent below the regional average and 25 percent below the national average, according to the Edison Electric Institute.

In 2005, KCP&L achieved Tier 1 performance in both safety and reliability. We are committed to achieving Tier 1 performance in all categories by 2008.

We want to be an industry leader in innovation and technology. Our delivery system of the future will use the latest technology to ensure we deliver top-tier performance at a reasonable cost. It includes demand response and efficiency programs outlined in our Comprehensive Energy Plan; distributed energy resources, customer e-services, system automation and monitoring; and a real-time two-way flow of energy and information.

Strategic Energy demonstrates top-tier performance through the advice and industry knowledge provided to customers every day. The company retained 86 percent of volume-based and month-to-month customers in 2005, a significant achievement amidst very volatile energy markets. With a very strong focus on customer satisfaction, Strategic Energy continues to demonstrate one of the lowest customer complaint records in the industry.

BY THE NUMBERS

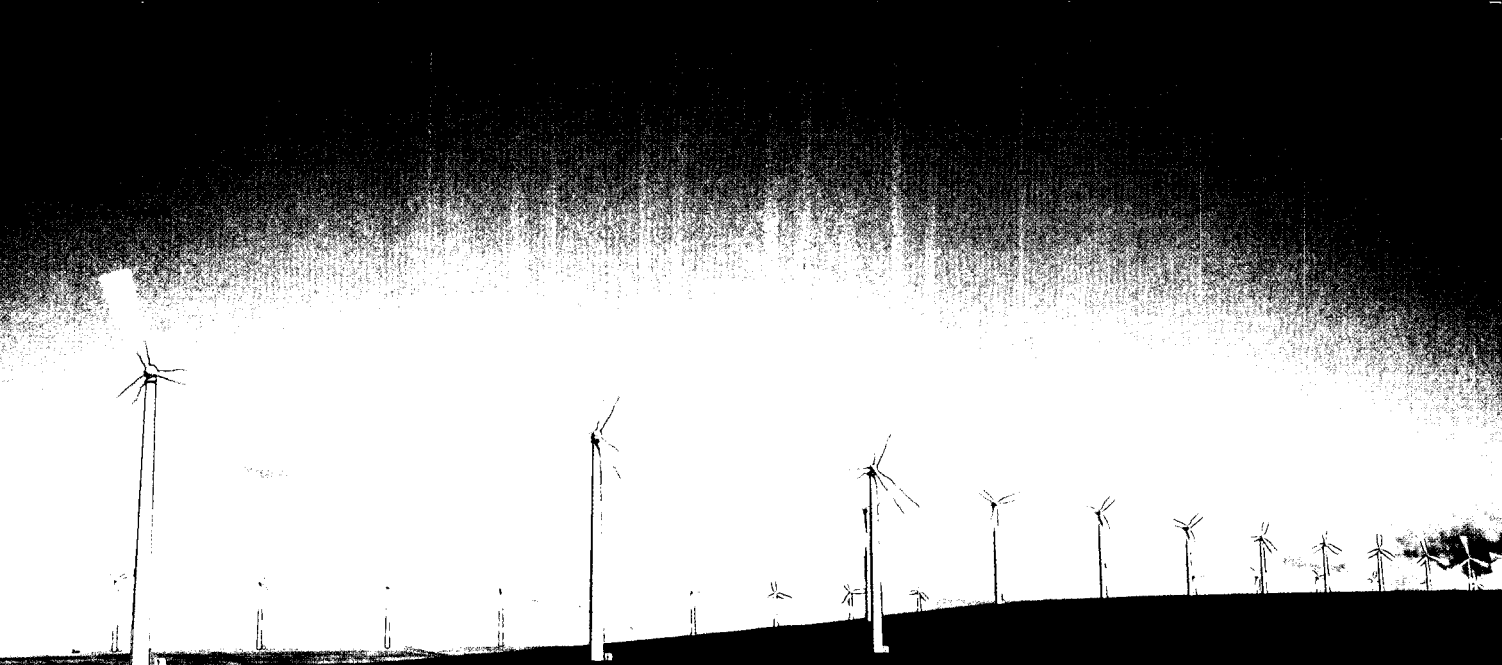
25

Percentage that KCP&L residential rates are below the current national average

86

Percentage of Strategic Energy volume-based and month-to-month customers retained in 2005

Performance tier achieved by KCP&L in 2005 for coal generation production costs, safety and reliability



COMPREHENSIVE ENERGY PLAN

One key element of our Strategic Intent is KCP&L's Comprehensive Energy Plan. Working in close collaboration with key stakeholders, KCP&L developed the Plan to meet the economic, environmental and energy needs of the rapidly growing Kansas City region. In 2005, we achieved a major milestone with unanimous approval of the regulatory stipulations regarding the Comprehensive Energy Plan from the Kansas Corporation Commission and the Missouri Public Service Commission.

Key elements of the Plan include:

- \$733 million for KCP&L's portion of a high-efficiency coal-fired plant scheduled to be in service in 2010
- \$272 million in environmental upgrades at two of our existing facilities to improve the air quality in our region through significant reductions in regulated emissions
- \$166 million for 100 megawatts of wind generation
- \$95 million in demand management, distributed generation, customer efficiency and affordability programs, as well as transmission and distribution improvements

We already have started implementing the Comprehensive Energy Plan. In 2006, we will break ground on both our wind facility in Spearville, Kan., and the Iatan 2 coal-fired plant near Weston, Mo. The wind facility is being developed and built by enXco, Inc., a leading firm in wind generation projects. Kansas City engineering firm Burns and McDonnell will provide detailed engineering design services for Iatan 2. Burns and McDonnell also will provide KCP&L with project and construction management support for the project.

In addition, we will start the installation of new emissions control equipment at Unit 1 of the La Cygne Generating Station with completion scheduled by May 2007. KCP&L's Comprehensive Energy Plan will result in significant system-wide reductions of sulfur dioxide, nitrogen oxides, mercury and fine particulate emissions – even with the addition of new generation.

BY THE NUMBERS

43

33,000

Number of homes
to be served by
from KCP&L's new

5,000



STRATEGIC ENERGY

2006 marks Strategic Energy's 20th year of providing innovative energy products and services to businesses and companies across the country. Despite the extreme volatility of the energy market and regulatory pressures in 2005, Strategic Energy succeeded in recording the second highest megawatthour sales volume in the history of the company, serving both Fortune 500 companies and local businesses.

Strategic Energy has deep knowledge and experience, working with large and multi-site enterprises, commercial businesses and institutions, and small- to medium-sized businesses. Diverse industry expertise in retail, education, hospitality/restaurant, commercial real estate, and manufacturing and industrial markets allows Strategic Energy to provide specific recommendations and customized products to help their clients meet their distinct energy needs.

For large, multi-site customers, Strategic Energy offers the industry-leading PowerPortfolio™ product, which provides large customers direct access to wholesale markets and creates an optimized portfolio of fixed and market-based electricity prices, customized to the individual needs of a business. For medium to small commercial establishments, Strategic Energy's fixed-price products reduce exposure to market volatility while index-based products give customers the opportunity to take advantage of the discounts available in floating with the wholesale market. Each strategy carries its own risk/reward profile and Strategic Energy works with all its customers to match the right product to the right business strategy.

Strategic Energy's Energy Management Center in Pittsburgh, Pa., allows the company to follow the energy markets 24 hours a day, 365 days a year, ensuring customers get the most current information and the greatest value available on their energy solutions.

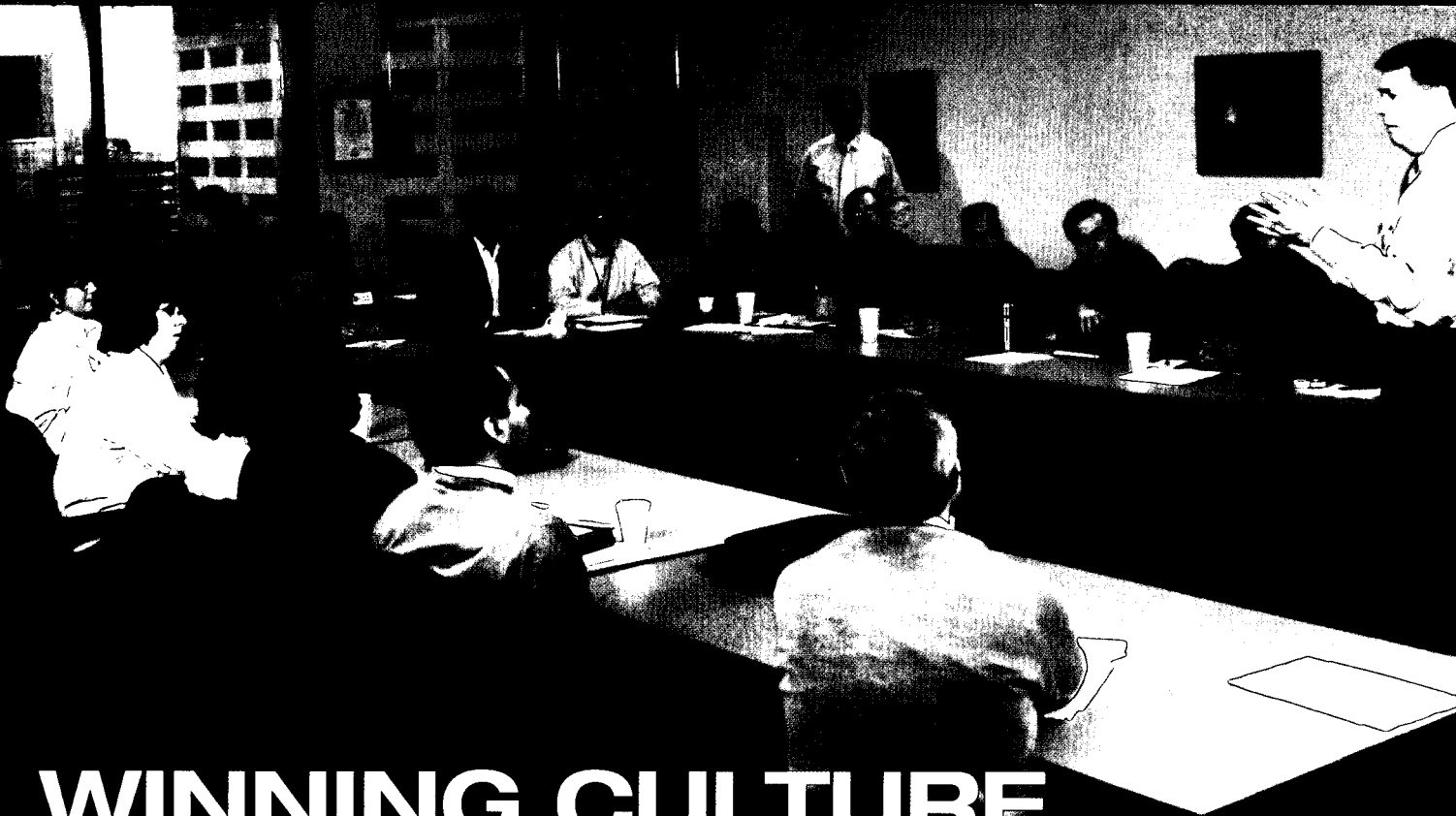
In 2006, the company's leadership is focused on transforming and enhancing business operations in four key areas, including: Positioning, procurement, products and productivity. Continued innovation and industry leadership in the competitive supply business will allow Strategic Energy to help their customers answer the question: "What's your energy strategy?"

BY THE NUMBER

\$1.5 billion
Strategic Energy
2005 revenue

19.5 million
Megawatthours delivered
Strategic Energy in 2005

20
Years that Strategic Energy
has provided products
and services to customers
across the country



WINNING CULTURE

At the core of who we are and what we do as a company is the Great Plains Energy "Winning Culture." Introduced as part of our Strategic Intent, our company culture is at the center of how we work collaboratively with one another and our communities to provide the best possible service and products to our customers. We capture our "Winning Culture" in the GPE IDEAL, which stands for:

Inspired Leadership... Disciplined Performance Management... Engaged Employees... Accountability... Loyalty

There were some powerful examples of that culture in action in 2005. A group of 22 employees served on the Winning Culture Team exploring ideas on how to create a more engaged workforce. Great Plains Energy's executive team also organized the "Learning Partners," a 21-member employee task force charged with candidly sharing employee perspectives with GPE officers on key issues facing the workforce. The goal is to make GPE a place that has more trust, clear communication and high morale.

And, throughout the company at various locations, employees took it upon themselves to create "GPE IDEAL Partners Teams" dedicated to improving their specific workplace. For example, the Dodson Service Center's Partners' group:

- Started the "One Day at a Time" safety campaign to reinforce KCP&L's efforts to become Tier 1 in safety that resulted in greater safety awareness among employees
- Developed an on-boarding process for new employees at Dodson and a mentoring program to share knowledge and broaden experience among current employees

Strategic Energy incorporated the GPE IDEAL into the guiding principles that have always been at the core of the company's successful culture. Strategic Energy will continue to promote these principles with all employees to reinforce its mission to be the leading electricity retailer in America.

BY THE NUMBERS

7.5 million

No lost-time hours suffered by a record 339 employees with at least five accident-free years of service

\$86,000

Savings in labor, equipment and materials costs from an employee suggestion to improve meter installation efficiency

2

Days it took to install a meter to replace a failed meter, saving \$5,000 in labor and materials



COMMUNITY

A key element of our success as a company is the strength of the relationships we have with the communities we serve. As demonstrated by the collaborative process used to develop KCP&L's Comprehensive Energy Plan, we highly value our communities' input.

The innovative customer efficiency and affordability programs we are launching are an important piece of the Comprehensive Energy Plan. Energy Optimizer was the first program introduced to help customers manage their energy costs. The program offers residential and small commercial business customers free programmable thermostats installed at no cost to help them manage energy consumption throughout the year and reduce air conditioning use when the company's load is at its highest level.

KCP&L collaborated with the Missouri Department of Natural Resources on the "Change a Light, Change the World" program that offered a \$2 per bulb rebate for customers replacing light bulbs with ENERGY STAR® qualified compact fluorescent bulbs.

KCP&L was recognized by the U.S. Environmental Protection Agency in 2005 for its "Fly Ash" initiative designed to increase the beneficial use of coal combustion products. KCP&L formed a partnership with Jackson County, Mo., Lafarge Corporation and the University of Missouri-Kansas City to showcase the effectiveness of fly ash in recycling deteriorated rural asphalt into long-lasting road base.

Strategic Energy employees supported the Homeless Children's Education Fund through its Friday "Jeans Day" program. To support families in their local communities, Strategic Energy employees volunteered their time in support of United Way projects to help the homeless and families in need.

BY THE NUMBER

\$2 million
KCP&L's planned
five-year contribution to
Kansas City, Missouri
weatherization program

79,000
Expected number
megawatthours saved over
the next five years due to new
KCP&L efficiency program

60
Equivalent work days
Strategic Energy employees
devoted to volunteer
efforts in 2005



PROGRESS THROUGH PARTNERSHIP

To our Shareholders:

2005 was a dynamic and challenging year for the energy industry. At the same time, 2005 was a historic and exciting year for Great Plains Energy. It was a year in which we demonstrated how we can achieve "Progress Through Partnership."

In July, Congress passed a much-needed National Energy Bill driven by rising prices and concerns about energy security and supply. Little did Congress realize just how justified those concerns were until later in the year when Hurricanes Rita and Katrina struck our Gulf Coast. Energy costs skyrocketed, including an 80 percent increase nationally in natural gas prices.

These events reinforce the value and need for a long-term energy vision that considers multiple "futures" and a plan that has the diversity, strength and consensus to weather a range of possible outcomes. At Great Plains Energy, thanks to a planning process that started in 2004 and resulted in our Strategic Intent, we anticipated scenarios like these and were able to manage through the challenging times. In fact, Great Plains Energy registered strong results in 2005 with both KCP&L and Strategic Energy making demonstrable progress for the year while setting the stage for long-term earnings growth.

Great Plains Energy's Strategic Intent is our vision for the future...a future in which we demonstrate leadership in the supply and delivery of electricity, and provide innovative energy solutions to meet the needs of our customers now and for years to come.

An unprecedented level of collaboration among our employees, customers, communities, environmentalists and regulators was involved in developing our Strategic Intent. Our continued partnership with these key constituents enabled us to gain approval of our plan and to begin executing our strategy in 2005. This includes implementing the first components of KCP&L's Comprehensive Energy Plan to provide reliable, affordable, clean electric energy to our customers, as well as making significant business improvement efforts within a tough market at Strategic Energy.

2005 also was an important year for our region. When I came to Kansas City in 2003, I found a community on the verge of incredible



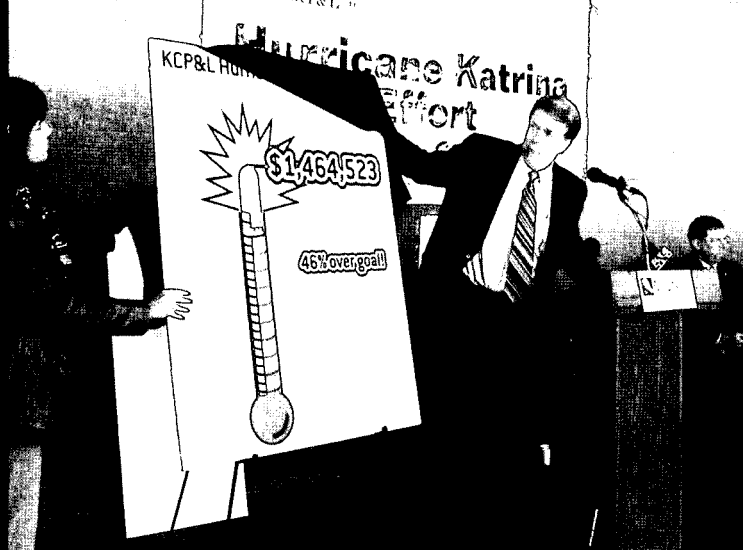
*William Downey, President and Chief Operating Officer (left)
Michael Chesser, Chairman of the Board
and Chief Executive Officer*

growth and development...some might say a renaissance. Today, with more than \$4 billion in development, that renaissance is well under way.

Great Plains Energy is part of that revitalization. We have committed to "energize the future" by ensuring the availability of reliable, affordable and efficient energy to meet the growing demand. Yet we know we cannot do this alone. Only through truly collaborative efforts do we develop the kind of plans, programs and partnerships that are in the best interests of our communities, our employees and our shareholders.

The culture of collaboration is one we fully embrace at Great Plains Energy. While some people believe culture is just one thing that drives business performance, we believe it is the most important thing. This collaboration starts with our employees and extends to the customers and communities we serve. It's the force that drives our company.

And, in 2005, we saw just how powerful a force this culture can be in all areas of our business, especially as we began to implement our Strategic Intent.



Comprehensive Energy Plan

Through the collaborative process with our partners, we have created a strong and balanced long-term strategy that is KCP&L's Comprehensive Energy Plan. Equally important, we also reached agreement on key credit provisions with our state regulators that are anticipated to help enable KCP&L maintain adequate credit quality over the five-year term of the agreements.

In February 2006, KCP&L filed its first rate increase requests in 20 years. The filings were aimed at recovering the costs of, and earning a return on, our wind generation facility, as well as recovering increased costs at the company.

Achieving regulatory agreements for our Plan and moving from the planning stage to the execution stage were two of our most important accomplishments in 2005.

The benefits of the Plan are significant for both the economy and health of the region. By adding new, high-efficiency coal-fired and wind-powered generation, we will provide the Kansas City area with

long-term, affordable electricity and reduce future dependence on outside sources to meet our energy needs.

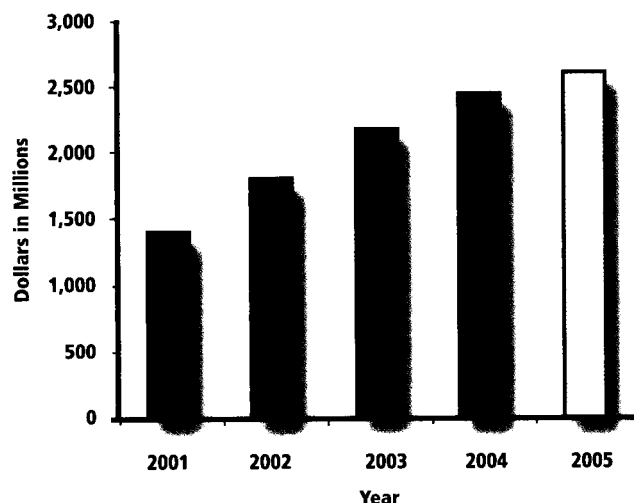
The new coal plant will create up to 1,000 jobs at the height of construction, plus 50 to 100 permanent positions once the plant is finished, translating into approximately \$300 million in direct payroll over the four-year period for the region.

The investments in new emission-reduction technologies at La Cygne 1 and Iatan 1 will help ensure KCP&L meets or exceeds existing federal air quality standards and reduce emissions on a system-wide basis.

The Plan helps support continued top-tier reliability through construction and upgrades to existing transmission and distribution facilities, as well as new technologies for faster diagnosis and repair of service outages.

We also are creating new partnerships with customers by giving them tools to save energy and money through efficiency and demand response programs that leverage new technologies for more effective electricity use. Affordability programs will assist low-income customers in managing their energy costs.

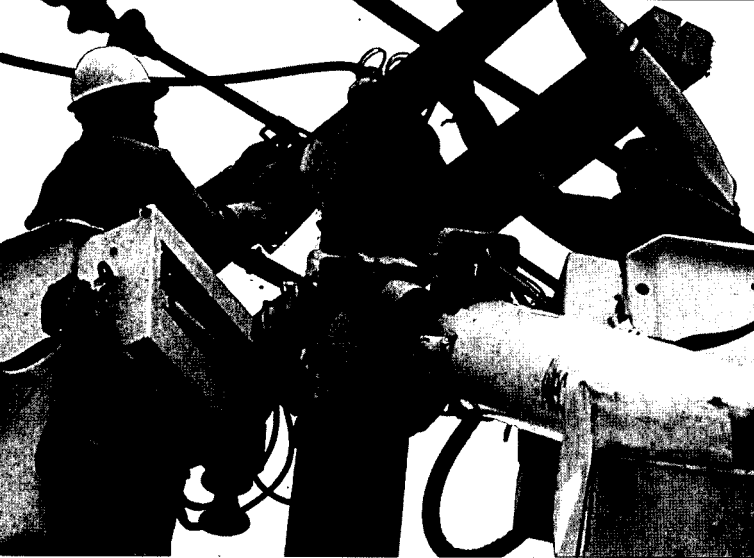
GPE Operating Revenues



The Plan also delivers benefits for our shareholders. The \$1.3 billion investment anticipated in the Plan will result in a 60 percent increase in our rate base and provide the potential for attractive total shareholder return over the next several years.

We thank everyone in the community for their efforts in helping us develop our Plan that will not only meet the energy demands of today, but also for years to come.

It is one thing for us to tout our successes in 2005, but it is quite another when one of our industry's leading trade organizations says so, too. The ultimate recognition that our collaborative efforts were the right approach came in early 2006 when it was announced that KCP&L had won the Edison Electric Institute's (EEI) 2006 Advocacy Excellence Award for KCP&L's community outreach in development of its Comprehensive Energy Plan.



EEL President Thomas Kuhn said: "KCP&L's approach of obtaining community input is an excellent model strategy for the complex issues associated with future energy decisions."

I was extremely proud to accept the award on behalf of our employees and the entire Kansas City community whose unprecedented collaboration helped shape the final plan.

Great Plains Energy

Our culture of collaboration at Great Plains Energy starts with our employees. Our solid 2005 financial results were due in large part to employees pulling together to overcome unexpected challenges and keep us on track. We continued to see improvements as we continually strive for top-tier performance throughout our company.

Despite operating in an extremely challenging environment, Great Plains Energy reported 2005 revenue of \$2.6 billion and earnings of \$161 million, or \$2.15 a share.

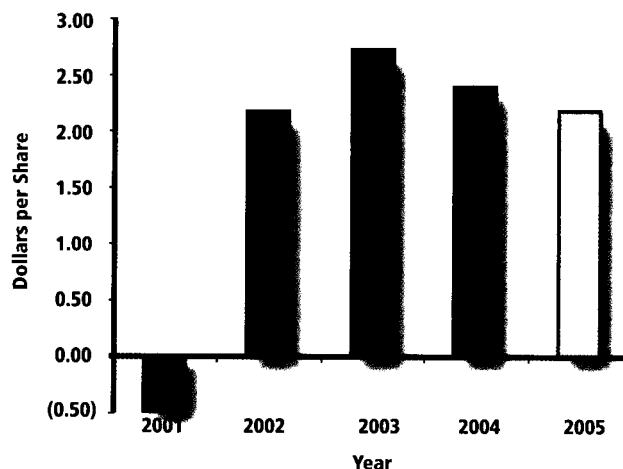
Our employees demonstrated passion and persistence in embracing the GPE IDEAL, which represents the core values for our Winning Culture. It's far more than a slogan or motto. It embodies how we expect employees to act, treat our customers and help our communities.

Their willingness to step up to the challenge of a high performance winning culture is critical because we have set aggressive goals for ourselves. Accomplishing them will result in long-term benefits for our customers, shareholders and the communities we serve. We are getting there thanks to the commitment of our employees to helping our company refocus and foster a Winning Culture based on collaboration.

Kansas City Power & Light

KCP&L's revenues for 2005 were \$1.13 billion while net income was \$143.7 million, essentially flat compared to \$143.3 million the year before. Considering the operating challenges that confronted the company, this level of earnings was an achievement and a testament to our employees' commitment to provide outstanding service.

GPE Basic and Diluted Earnings (Loss) per Common Share from Continuing Operations



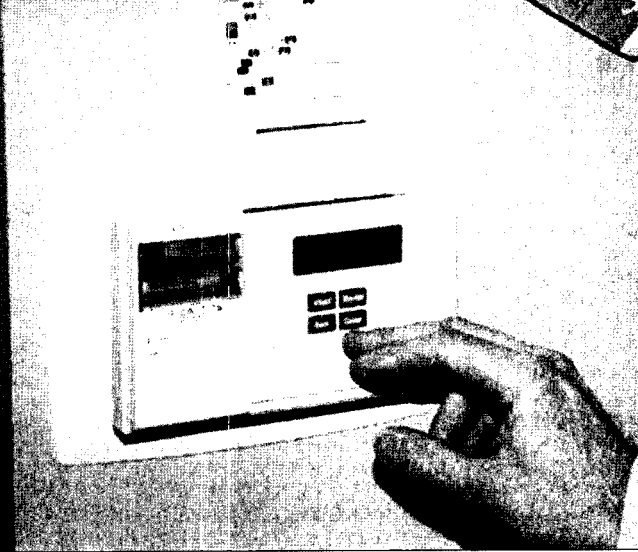
During 2005, we repaired two main transformer failures in a matter of weeks, the first at Montrose 3. Despite this outage, the unit still achieved its best year ever for generation.

Then, later in the year, the Hawthorn 5 main transformer failed. Thanks to the heroic efforts of KCP&L employees, the transformer was replaced and the unit came back on line in just 32 days.

Even with these outages, 2005 was one of the company's best years for coal fleet availability because the rest of our generating fleet performed admirably. In fact, the company had the second best year for fleet availability in the last six years, and had the third highest year ever for generation from the coal fleet.

Excellent teamwork from operations, maintenance and support employees met all the challenges and kept our units operating efficiently. As a result, nearly 15 million megawatthours of electricity were generated in 2005.

Delivery continued to demonstrate responsiveness through improvements in outage and storm restoration processes resulting in Tier 1 overall reliability performance. In addition, neighborhood



meetings were conducted to address reliability concerns for customers experiencing the most outages. These meetings resulted in targeted reliability projects to improve service in those areas.

The Field and Technical Training Department beefed up our workforce to ensure KCP&L has a sufficient talent pool for the future. This included apprenticeships, Refresher Academy, Lineman University and a five-year manpower plan to ensure the company has enough trained people on board to do the job.

Our Customer Care Center continued implementing new technologies, providing cost-effective solutions for managing seasonal peaks in call volume and outage communication. The center is now using an independent group to measure customer satisfaction, enabling KCP&L to assess on a daily basis how well current processes are performing and identifying areas for improvement.

For the second year in a row, KCP&L employees earned the ServiceOne™ award from PA Consulting for exceptional customer service.

And most importantly, 2005 was an extremely safe year. A record 339 employees, with at least five or more accident-free years, achieved more than 7.5 million no-lost-time hours of work.

Strategic Energy

Even with a challenging energy market in 2005, Strategic Energy made significant progress in strengthening its business position. The extreme volatility in energy prices and increased pressure from state regulators to control rising utility prices made for difficult market conditions for the competitive supply industry. Despite these factors, Strategic Energy's 2005 revenues were \$1.5 billion, up from \$1.4 billion in 2004, while earnings were \$28.2 million in 2005. Strategic Energy's total new orders were 44 percent above year-earlier levels, representing the second highest in company history. Delivered megawatthours, largely reflecting sales made in prior years, were slightly below those for 2004. The company's customer retention rate remained strong at 86 percent for the year for volume-based and month-to-month customers confirming the loyalty of customers to the services and advice that Strategic Energy provides.

With new leadership driving a company-wide realignment of operations, marketing and product innovation, Strategic Energy successfully maintained its market position as the second largest national retail supplier to non-residential customers.

The company's leadership is comprehensively transforming the business by focusing on the "4 Ps":

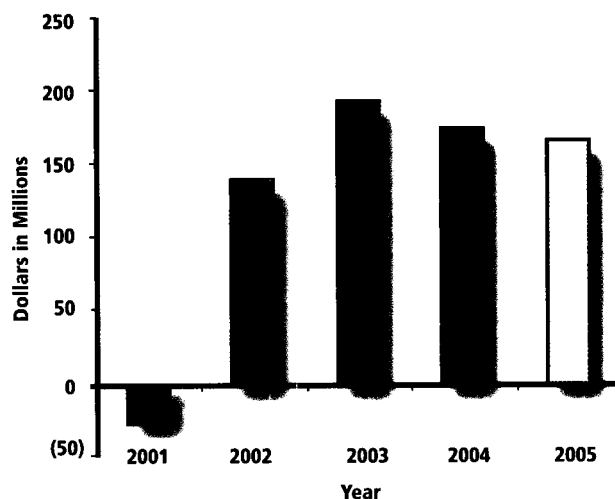
Positioning: Establish a strong position in core markets by having in-depth relationships with customers and our suppliers.

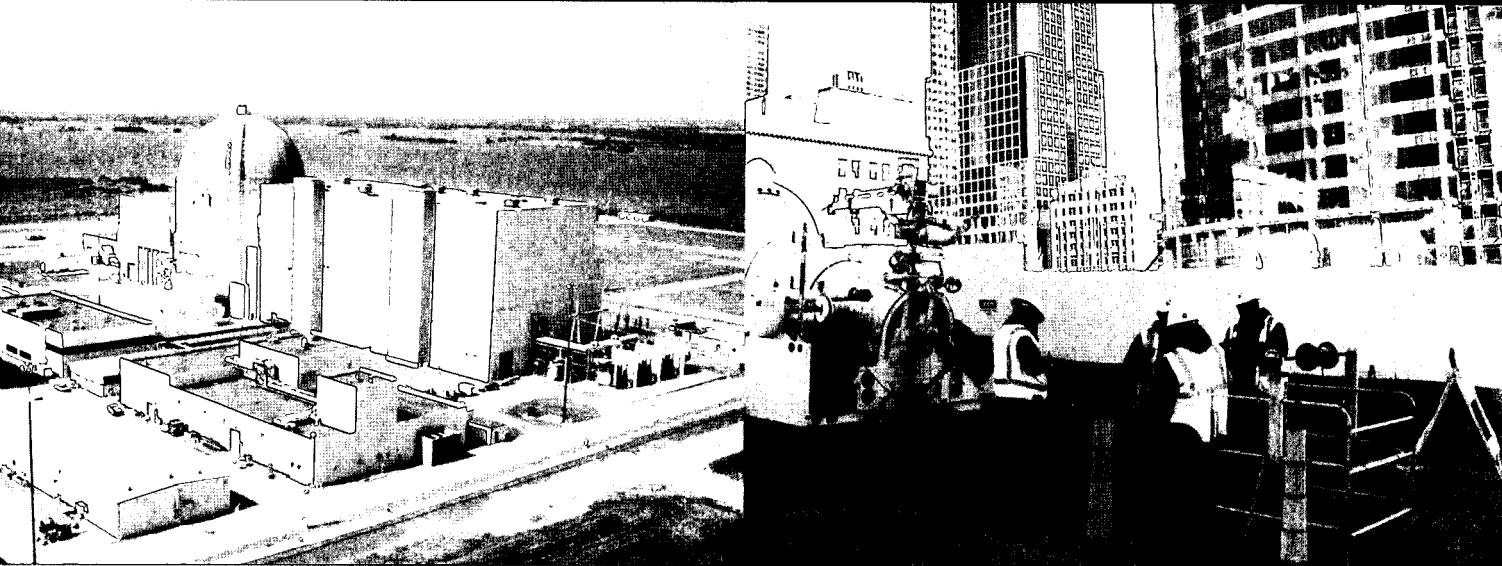
Procurement: Improve electricity purchasing strategies to enable Strategic Energy to obtain more competitive prices for energy.

Products: Introduce new products or product extensions into new customer classes.

Productivity: Implement new business processes and technologies that will improve business efficiency.

GPE Income (Loss) from Continuing Operations





Strategic Energy is dedicating its resources to reinforce its value proposition: Offering expert, objective advice to help customers navigate market volatility and providing products that meet their changing needs.

Looking Ahead

In 2005, we established a firm plan based on input from employees, customers, community leaders, members of the environmental community and government officials. This plan and our commitment will be even more important in 2006 as we continue to move forward implementing elements of our Strategic Intent and Comprehensive Energy Plan. This includes resolving our rate requests in a timely and constructive manner while continuing to operate as a top-tier energy company in all areas.

There is much at stake as the actions we are taking today will have an enormous positive impact on future generations...and future shareholder return.

While there are challenges ahead, I have every confidence that our culture of collaboration will allow us to continue successfully executing our ambitious plans and produce results that are in the best interests of our communities, our employees and our shareholders.

Michael Chesser



Left to Right: Stephen Easley, Senior Vice President-Supply; Terry Bassham, Executive Vice President-Finance and Strategic Development and Chief Financial Officer; William Downey, President and Chief Operating Officer; Michael Chesser, Chairman of the Board and CEO; Barbara Curry, Senior Vice President-Corporate Services and Corporate Secretary; Shahid Malik, Executive Vice President, President and CEO-Strategic Energy; John Marshall, Senior Vice President-Delivery



One quarter of Strategic Energy's employees participated in the United Way Days of Caring Campaign in four sites throughout Pittsburgh.



Chad Reinhardt and his daughters Emily (center) and Meg at the 2005 Customer Operations Safety Jubilee.



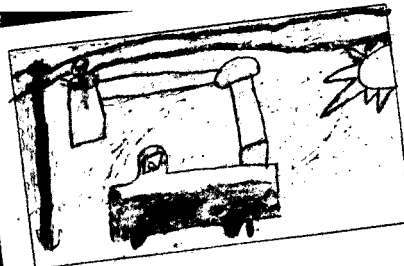
KCP&L joined forces with the OneKC marketing campaign to promote the Kansas City region as a great place to do business by placing OneKC stickers on company vehicles.



Former Kansas City Chiefs Coach Dick Vermeil, wife Carol, and Jakob Phillips flipped the switch on thousands of lights for the KCP&L-supported Country Club Plaza Season of Lights.

At Work and in the Community, KCP&L and Strategic Energy Employees Demonstrate the GPE IDEAL

Help for Hurricane Victims



Dear Linemen,
Thank you for helping us after Hurricane Rita. I know how your child feels because my daughter is ABC. I'm sorry we cannot have at 8:00 at night. My dad knows how you feel. We are sorry that you have to be in the house and with the Texas bugs and all the mosquitoes that don't let you sleep at all. You finished first. Well, did a good job to put the electricity back on. You work long hours. Thank you.
You all did a good job.
Evelyn
Field Elementary

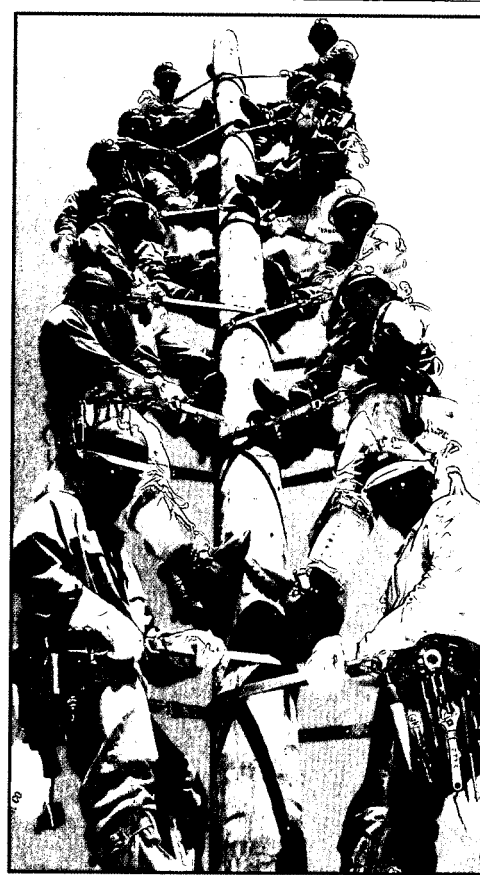
After Hurricanes Rita and Katrina struck the Gulf Coast, KCP&L teams were on site helping restore power. KCP&L, Strategic Energy and its employees also raised nearly \$1.5 million in cash and in-kind donations for the American Red Cross and Heart to Heart International to support hurricane victims. In return, the company received many letters of thanks, including this special note from an elementary school student in Beaumont, Texas.



Families, friends and co-workers pay tribute to KCP&L employees who lost their lives while on the job at a service held at the Employee Memorial.

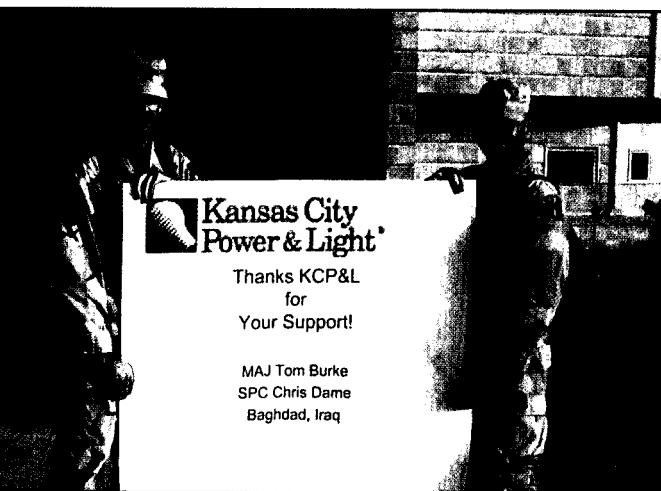


latan power generating station near Weston, Mo., celebrated 25 years of operation in June 2005. latan represents about 16% of KCP&L's baseload production capacity.



Members of the pre-apprentice lineman class spend a lot of time on the climb as part of a training program created through a collaborative bargaining unit/management effort.

“The culture of collaboration is one we fully embrace at Great Plains Energy. It’s the force that drives our company.”



Supporting Our Troops

The Employer Support of the Guard and Reserve, an arm of the U.S. Department of Defense, awarded both Great Plains Energy and KCP&L its prestigious “Five Star Employer Program” award, its highest company support recognition award. GPE and KCP&L are two of only three Kansas City companies to ever receive this honor recognizing support for employees serving in the National Guard or Reserve. KCP&L employees Tom Burke and Chris Dame send along their thanks from Baghdad.



Students from Spearville, Kan., near the site of KCP&L's planned wind generation facility, welcome KCP&L to the community.



Daniel Quintero, Julie Betz, Jerry Rush and Michael Cassidy serve up the food at the IBEW Annual Tri-Local Family Picnic.

DIRECTORS AND OFFICERS

Board of Directors Great Plains Energy

Michael J. Chesser
Chairman of the Board and
Chief Executive Officer

Dr. David L. Bodde
Senior Fellow and Professor, Arthur M.
Spiro Center for Entrepreneurial Leadership
at Clemson University

William H. Downey
President and Chief Operating Officer

Mark A. Ernst
Chairman of the Board, President and
Chief Executive Officer, H&R Block, Inc.,
a global provider of tax preparation,
investment, mortgage
and accounting services

Randall C. Ferguson, Jr.
Senior Partner for Business Development,
Tshibanda & Associates, LLC, a consulting
and project management services firm
committed to assisting clients to improve
operations and achieve long-lasting,
measurable results

Dr. William K. Hall
Chairman of Procyon Technologies, Inc.,
a holding company with investments in
the aerospace and defense industries

Luis A. Jimenez
Senior Vice President and Chief Strategy
Officer of Pitney Bowes Inc., a global
provider of integrated mail and document
management solutions

James A. Mitchell
Executive Fellow-Leadership, Center for
Ethical Business Cultures, a not-for-profit
organization assisting business leaders in
creating ethical and profitable cultures

William C. Nelson
Chairman, George K. Baum Asset
Management, a provider of investment
management services to individuals,
foundations and institutions

Dr. Linda H. Talbott
President, Talbott & Associates,
consultants in strategic planning,
philanthropic management and
development to foundations, corporations
and nonprofit organizations

Robert H. West
Retired Chairman of the Board, Butler
Manufacturing Company, a supplier of
non-residential building systems, specialty
components, and construction services

Officers Great Plains Energy

Michael J. Chesser
Chairman of the Board
and Chief Executive Officer

William H. Downey
President
and Chief Operating Officer

Terry Bassham
Executive Vice President-Finance and
Strategic Development
and Chief Financial Officer

Michael W. Cline
Treasurer and Chief Risk Officer

Barbara B. Curry
Senior Vice President-Corporate
Services and Corporate Secretary

Michael L. Deggendorf
Vice President-Public Affairs

Mark G. English
General Counsel
and Assistant Secretary

Todd A. Kobayashi
Vice President-Strategy and
Investor Relations

Shahid Malik
Executive Vice President

Lori A. Wright
Controller

Officers Kansas City Power & Light

Michael J. Chesser
Chairman of the Board

William H. Downey
President
and Chief Executive Officer

Terry Bassham
Chief Financial Officer

Lora C. Cheatum
Vice President-Administrative
Services

Michael W. Cline
Treasurer

Dana Crawford
Vice President-Plant Operations

Barbara B. Curry
Secretary

Stephen T. Easley
Senior Vice President-Supply

Chris B. Giles
Vice President-Regulatory Affairs

William P. Herdegen, III
Vice President-Customer
Operations

John R. Marshall
Senior Vice President-Delivery

William G. Riggins
Vice President-Legal and
Environmental Affairs
and General Counsel

Marvin L. Rollison
Vice President-Corporate Culture
and Community Strategy

Richard A. Spring
Vice President-Transmission
Services

Lori A. Wright
Controller

Officers Strategic Energy

Shahid Malik
President and
Chief Executive Officer

Jeffrey T. Buxton
Executive Vice President-Marketing

Jan L. Fox
General Counsel, Secretary and Executive Vice President-
Market Development

Janis D. Shaw
Executive Vice President-Human Resources
and Corporate Services

Andrew J. Washburn
Chief Financial Officer

Michael R. Young
Executive Vice President-Sales

SHAREHOLDER INFORMATION

GREAT PLAINS ENERGY FORM 10-K

Great Plains Energy's 2005 annual report filed on Form 10-K with the Securities and Exchange Commission can be found at: www.greatplainsenergy.com and is available at no charge upon written request to:

Corporate Secretary
Great Plains Energy Incorporated
P.O. Box 418679
Kansas City, MO 64141-9679

MARKET INFORMATION

Great Plains Energy common stock is traded on the New York Stock Exchange under the ticker symbol GXP. Shareholders of record as of December 31, 2005: 14,329.

INTERNET SITE

The company has a site on the Internet at www.greatplainsenergy.com. Information available includes company news releases, stock quotes, customer account information, community and environmental efforts, and information of general interests to investors and customers.

Also located on our Web site are the company's Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of the Audit Committee, Governance Committee, and Compensation and Development Committee of the Board of Directors, which are also available at no charge upon written request to the Corporate Secretary.

COMMON STOCK DIVIDENDS PAID

| Quarter | 2005 | 2004 |
|---------|---------|---------|
| First | \$0.415 | \$0.415 |
| Second | \$0.415 | \$0.415 |
| Third | \$0.415 | \$0.415 |
| Fourth | \$0.415 | \$0.415 |

CUMULATIVE PREFERRED STOCK DIVIDENDS

Quarterly dividends on preferred stock were declared in each quarter of 2005 and 2004 as follows:

| Series | Amount |
|--------|--------|
| 3.80% | \$0.95 |
| 4.20% | 1.05 |
| 4.35% | 1.0875 |
| 4.50% | 1.125 |

TWO-YEAR COMMON STOCK HISTORY

| | 2005 | | 2004 | |
|---------|---------|---------|---------|---------|
| QUARTER | HIGH | LOW | HIGH | LOW |
| First | \$31.61 | \$29.56 | \$35.29 | \$31.66 |
| Second | 32.25 | 29.77 | 34.36 | 29.23 |
| Third | 32.63 | 29.82 | 31.71 | 28.62 |
| Fourth | 30.23 | 27.27 | 30.71 | 28.17 |

ANNUAL MEETING OF SHAREHOLDERS

Great Plains Energy's annual meeting of shareholders will be held at 10:00 a.m., on May 2, 2006, at The Discovery Center, 4750 Troost in Kansas City, Missouri.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN

Great Plains Energy offers the opportunity to purchase common shares directly from the Company with an initial minimum investment of \$500 through our Dividend Reinvestment and Direct Stock Purchase Plan. The Plan offers shareholders several choices, including reinvestment of all or some of their common stock dividends and the option of investing additional cash monthly. Shareholders may choose to deposit their certificates with the transfer agent for safekeeping in their Plan account. For more information or an enrollment form, contact Investor Relations or UMB Bank, n.a., or visit Great Plains Energy's Web Site at www.greatplainsenergy.com.

DIRECT DEPOSIT OF DIVIDENDS AND AUTOMATIC MONTHLY INVESTMENT

Shareholders may elect the convenience of having dividends deposited directly to their checking, savings or other accounts. Shareholders can also choose to authorize automatic monthly deductions from checking or savings accounts to purchase additional shares. Electing direct deposit or automatic deduction changes only the manner of dividend payment. Annual report and proxy materials, year-end tax information and other correspondence will be mailed to the shareholder's address of record. For more information, please contact Investor Relations or UMB Bank, n.a., or visit Great Plains Energy's Web site at www.greatplainsenergy.com.

REGISTERED SHAREHOLDER INQUIRIES

For account information or assistance, including change of address, stock transfers, dividend payments, duplicate accounts or to report a lost certificate, please contact Investor Relations at 800-245-5275.

FINANCIAL COMMUNITY INQUIRIES

Securities analysts and investment professionals seeking information about Great Plains Energy may contact Investor Relations at 816-556-2312.

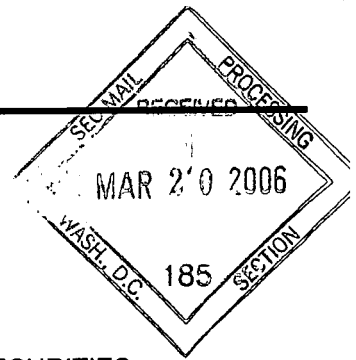
TRANSFER AGENT AND STOCK REGISTRANT

UMB Bank, n.a.
Securities Transfer Division
P.O. Box 410064
Kansas City, Missouri 64141-0064
800-884-4225 (toll free)

CORPORATE GOVERNANCE LISTING STANDARDS CERTIFICATION

On May 16, 2005, the company submitted its Annual CEO Certification to the New York Stock Exchange (NYSE). Mr. Chesser, Chairman of the Board and Chief Executive Officer of the company, certified that as of May 16, 2005 he was not aware of any violation by the company of NYSE Corporate Governance listing standards.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2005**

or

☐ TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

| <u>Commission File Number</u> | <u>Exact name of registrant as specified in charter, state of incorporation, address of principal executive offices and telephone number</u> | <u>I.R.S. Employer Identification Number</u> |
|-----------------------------------|--|--|
| 001-32206 | GREAT PLAINS ENERGY INCORPORATED (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200 www.greatplainsenergy.com | 43-1916803 |
| 1-707 | KANSAS CITY POWER & LIGHT COMPANY (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200 www.kcpl.com | 44-0308720 |

Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is
registered on the New York Stock Exchange:

| <u>Registrant</u> | <u>Title of each class</u> | |
|----------------------------------|--|-------|
| Great Plains Energy Incorporated | Cumulative Preferred Stock par value \$100 per share | 3.80% |
| | Cumulative Preferred Stock par value \$100 per share | 4.50% |
| | Cumulative Preferred Stock par value \$100 per share | 4.35% |
| | Common Stock without par value | |
| | Income PRIDES SM | |

Securities registered pursuant to Section 12(g) of the Act. None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Great Plains Energy Incorporated Yes ☒ No ☐ Kansas City Power & Light Company Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Great Plains Energy Incorporated Yes ☐ No ☒ Kansas City Power & Light Company Yes ☒ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Great Plains Energy Incorporated Yes ☒ No ☐ Kansas City Power & Light Company Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Great Plains Energy Incorporated Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Kansas City Power & Light Company Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Great Plains Energy Incorporated Yes ☐ No ☒ Kansas City Power & Light Company Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of Great Plains Energy Incorporated (based on the closing price of its common stock on the New York Stock Exchange on June 30, 2005) was approximately \$2,380,255,632. All of the common equity of Kansas City Power & Light Company is held by Great Plains Energy Incorporated, an affiliate of Kansas City Power & Light Company.

On February 28, 2006, Great Plains Energy Incorporated had 74,835,687 shares of common stock outstanding. The aggregate market value of the common stock held by non-affiliates of Great Plains Energy Incorporated (based upon the closing price of its common stock on the New York Stock Exchange on February 28, 2006) was approximately \$2,115,604,125. On February 28, 2006, Kansas City Power & Light Company had one share of common stock outstanding and held by Great Plains Energy Incorporated.

Documents Incorporated by Reference

Portions of the 2006 Proxy Statement of **Great Plains Energy Incorporated** to be filed with the Securities and Exchange Commission are incorporated by reference in Part III of this report.

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Great Plains Energy Incorporated and Kansas City Power & Light Company separately file this combined Annual Report on Form 10-K. Information contained herein relating to an individual registrant and its subsidiaries is filed by such registrant on its own behalf. Each registrant makes representations only as to information relating to itself and its subsidiaries. This report should be read in its entirety. No one section of the report deals with all aspects of the subject matter.

Kansas City Power & Light Company is not required to file reports with the Securities and Exchange Commission (SEC) under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act); however, Kansas City Power & Light Company has continued to file such reports, including this Annual Report on Form 10-K, with the SEC voluntarily and will continue to do so. In addition, Kansas City Power & Light Company may determine to register its common stock under Section 12(g) of the Exchange Act and upon the effectiveness of the registration it will be required to file such reports.

CAUTIONARY STATEMENTS REGARDING CERTAIN FORWARD-LOOKING INFORMATION

Statements made in this report that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the registrants are providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include:

- *future economic conditions in the regional, national and international markets, including but not limited to regional and national wholesale electricity markets*
- *market perception of the energy industry and the Company*
- *changes in business strategy, operations or development plans*
- *effects of current or proposed state and federal legislative and regulatory actions or developments, including, but not limited to, deregulation, re-regulation and restructuring of the electric utility industry*
- *adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air quality*
- *financial market conditions and performance including, but not limited to, changes in interest rates and in availability and cost of capital and the effects on the Company's pension plan assets and costs*
- *credit ratings*
- *inflation rates*
- *effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments*
- *impact of terrorist acts*
- *increased competition including, but not limited to, retail choice in the electric utility industry and the entry of new competitors*
- *ability to carry out marketing and sales plans*
- *weather conditions including weather-related damage*
- *cost, availability, quality and deliverability of fuel*
- *ability to achieve generation planning goals and the occurrence and duration of unplanned generation outages*
- *delays in the anticipated in-service dates of additional generating capacity*
- *nuclear operations*
- *ability to enter new markets successfully and capitalize on growth opportunities in non-regulated businesses*
- *performance of projects undertaken by the Company's non-regulated businesses and the success of efforts to invest in and develop new opportunities and*
- *other risks and uncertainties.*

This list of factors is not all-inclusive because it is not possible to predict all factors. Item 1A. Risk Factors included in this report should be carefully read for further understanding of potential risks to the companies. Other sections of this report and other periodic reports filed by the companies with the SEC should also be read for more information regarding risk factors.

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report.

| <u>Abbreviation or Acronym</u> | <u>Definition</u> |
|--------------------------------|--|
| ARO | Asset Retirement Obligation |
| BART | Best available retrofit technology |
| CAIR | Clean Air Interstate Rule |
| CAMR | Clean Air Mercury Rule |
| Clean Air Act | Clean Air Act Amendments of 1990 |
| CO ₂ | Carbon Dioxide |
| Company | Great Plains Energy Incorporated and its subsidiaries |
| Consolidated KCP&L | KCP&L and its wholly owned subsidiaries |
| Digital Teleport | Digital Teleport, Inc. |
| DOE | Department of Energy |
| DTI | DTI Holdings, Inc. and its subsidiaries, Digital Teleport, Inc. and Digital Teleport of Virginia, Inc. |
| EBITDA | Earnings before interest, income taxes, depreciation and amortization |
| EEI | Edison Electric Institute |
| EIRR | Environmental Improvement Revenue Refunding |
| EPA | Environmental Protection Agency |
| EPS | Earnings per common share |
| FASB | Financial Accounting Standards Board |
| FELINE PRIDES SM | Flexible Equity Linked Preferred Increased Dividend Equity Securities, a service mark of Merrill Lynch & Co., Inc. |
| FERC | The Federal Energy Regulatory Commission |
| FIN | Financial Accounting Standards Board Interpretation |
| GAAP | Generally Accepted Accounting Principles |
| GPP | Great Plains Power Incorporated |
| Great Plains Energy Holdings | Great Plains Energy Incorporated and its subsidiaries |
| HSS | DTI Holdings, Inc. |
| IEC | Home Service Solutions Inc., a wholly owned subsidiary of KCP&L |
| ISO | Innovative Energy Consultants Inc., a wholly owned subsidiary of Great Plains Energy |
| KCC | Independent System Operator |
| KCP&L | The State Corporation Commission of the State of Kansas |
| KLT Gas | Kansas City Power & Light Company, a wholly owned subsidiary of Great Plains Energy |
| KLT Gas portfolio | KLT Gas Inc., a wholly owned subsidiary of KLT Inc. |
| KLT Inc. | KLT Gas natural gas properties |
| KLT Investments | KLT Inc., a wholly owned subsidiary of Great Plains Energy |
| KLT Telecom | KLT Investments Inc., a wholly owned subsidiary of KLT Inc. |
| KW | KLT Telecom Inc., a wholly owned subsidiary of KLT Inc. |
| kWh | Kilowatt |
| MAC | Kilowatt hour |
| MD&A | Material Adverse Change |
| | Management's Discussion and Analysis of Financial Condition and Results of Operations |

Abbreviation or Acronym**Definition**

| | |
|----------------------------|---|
| MISO | Midwest Independent Transmission System Operator, Inc. |
| MPSC | Public Service Commission of the State of Missouri |
| MW | Megawatt |
| MWh | Megawatt hour |
| NEIL | Nuclear Electric Insurance Limited |
| NO_x | Nitrogen Oxide |
| NPNS | Normal Purchases and Normal Sales |
| NRC | Nuclear Regulatory Commission |
| OCI | Other Comprehensive Income |
| PJM | PJM Interconnection |
| PRB | Powder River Basin |
| PURPA | Public Utility Regulatory Policy Act |
| Receivables Company | Kansas City Power & Light Receivables Company, a wholly owned subsidiary of KCP&L |
| RTO | Regional Transmission Organization |
| SEC | Securities and Exchange Commission |
| SECA | Seams Elimination Charge Adjustment |
| SE Holdings | SE Holdings, L.L.C. |
| Services | Great Plains Energy Services Incorporated |
| SFAS | Statement of Financial Accounting Standards |
| SO₂ | Sulfur Dioxide |
| SPP | Southwest Power Pool, Inc. |
| Strategic Energy | Strategic Energy, L.L.C., a subsidiary of KLT Energy Services |
| T - Lock | Treasury Lock |
| Union Pacific | Union Pacific Railroad Company |
| WCNOC | Wolf Creek Nuclear Operating Corporation |
| Wolf Creek | Wolf Creek Generating Station |
| Worry Free | Worry Free Service, Inc., a wholly owned subsidiary of HSS |

PART I

ITEM 1. BUSINESS

General

Great Plains Energy Incorporated and Kansas City Power & Light Company are separate registrants filing this combined annual report. The terms "Great Plains Energy," "Company," "KCP&L" and "consolidated KCP&L" are used throughout this report. "Great Plains Energy" and the "Company" refer to Great Plains Energy Incorporated and its consolidated subsidiaries, unless otherwise indicated. "KCP&L" refers to Kansas City Power & Light Company, and "consolidated KCP&L" refers to KCP&L and its consolidated subsidiaries.

Information in other Items of this report as to which reference is made in this Item 1. is hereby incorporated by reference in this Item 1. The use of terms such as see or refer to shall be deemed to incorporate into this Item 1. the information to which such reference is made.

GREAT PLAINS ENERGY

Great Plains Energy, a Missouri corporation incorporated in 2001 and headquartered in Kansas City, Missouri, is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries. Great Plains Energy has four direct subsidiaries with operations or active subsidiaries:

- KCP&L is described below.
- KLT Inc. is an intermediate holding company that primarily holds, directly or indirectly, interests in Strategic Energy, L.L.C. (Strategic Energy), which provides competitive retail electricity supply services in several electricity markets offering retail choice, and affordable housing limited partnerships. KLT Inc. also wholly owns KLT Gas Inc. (KLT Gas). See Note 8 to the consolidated financial statements for additional information regarding KLT Gas discontinued operations.
- Innovative Energy Consultants Inc. (IEC) is an intermediate holding company that holds an indirect interest in Strategic Energy. IEC does not own or operate any assets other than its indirect interest in Strategic Energy. When combined with KLT Inc.'s indirect interest in Strategic Energy, the Company owns just under 100% of the indirect interest in Strategic Energy.
- Great Plains Energy Services Incorporated (Services) provides services at cost to Great Plains Energy and its subsidiaries, including consolidated KCP&L.

Great Plains Energy's wholly owned subsidiary, Great Plains Power Incorporated (GPP), focused on the development of wholesale generation. GPP sold all of its capital assets related to the siting and permitting process for construction of Iatan No. 2, a coal-fired generating plant, to KCP&L, at cost, during 2005. GPP was dissolved in 2005.

Executing On Strategic Intent

For a discussion of the Company's strategic intent and KCP&L's comprehensive energy plan, please refer to the Executing On Strategic Intent section in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Note 5 to the consolidated financial statements for additional discussion of KCP&L's comprehensive energy plan.

CONSOLIDATED KCP&L

KCP&L, a Missouri corporation incorporated in 1922, is an integrated, regulated electric utility, which provides electricity to customers primarily in the states of Missouri and Kansas. KCP&L's wholly owned subsidiary, Home Service Solutions Inc. (HSS), sold its wholly owned subsidiary Worry Free Service, Inc. (Worry Free) in February 2005 and completed the disposition of its interest in R.S. Andrews Enterprises, Inc. (RSAE) in June 2003. After these sales, HSS has no active operations.

Business Segments of Great Plains Energy and KCP&L

Consolidated KCP&L's sole reportable business segment is KCP&L. Great Plains Energy, through its direct and indirect subsidiaries, has two reportable business segments: KCP&L and Strategic Energy.

For information regarding the revenues, income and assets attributable to the Company's reportable business segments, see Note 17 to the consolidated financial statements. Comparative financial information and discussion regarding the Company's and KCP&L's reportable business segments can be found in Item 7. MD&A.

Regulation - General

Regulatory matters affecting KCP&L and Strategic Energy are described below in the discussion on each of these reportable business segments.

Capital Program and Financing

For information on the Company's and KCP&L's capital program and financial needs, see Item 7. MD&A, Capital Requirements and Liquidity section and Notes 18 and 19 to the consolidated financial statements.

KCP&L

KCP&L, headquartered in Kansas City, Missouri, engages in the generation, transmission, distribution and sale of electricity. KCP&L serves approximately 500,000 customers located in all or portions of 24 counties in western Missouri and eastern Kansas. Customers include approximately 440,000 residences, over 55,000 commercial firms, and over 2,200 industrials, municipalities and other electric utilities. KCP&L's retail revenues averaged approximately 82% of its total operating revenues over the last three years. Wholesale firm power, bulk power sales and miscellaneous electric revenues accounted for the remainder of utility revenues. KCP&L is significantly impacted by seasonality with approximately one-third of its retail revenues recorded in the third quarter. KCP&L's total electric revenues averaged approximately 45% of Great Plains Energy's revenues over the last three years. KCP&L's income from continuing operations accounted for approximately 88%, 86% and 67% of Great Plains Energy's income from continuing operations in 2005, 2004 and 2003, respectively.

Regulation

KCP&L is regulated by the Public Service Commission of the State of Missouri (MPSC) and The State Corporation Commission of the State of Kansas (KCC) with respect to retail rates, certain accounting matters, standards of service and, in certain cases, the issuance of securities, certification of facilities and service territories. KCP&L is classified as a public utility under the Federal Power Act and accordingly, is subject to regulation by the Federal Energy Regulatory Commission (FERC). By virtue of its 47% ownership interest in Wolf Creek Generating Station (Wolf Creek), KCP&L is subject to regulation by the Nuclear Regulatory Commission (NRC), with respect to licensing, operations and safety-related requirements.

Missouri jurisdictional retail revenues averaged 57% of KCP&L's total retail revenue over the last three years. Kansas jurisdictional retail revenues averaged 43% of KCP&L's total retail revenue over the last three years. See Item 7. MD&A, Critical Accounting Policies section and Note 5 to the consolidated financial statements for additional information concerning regulatory matters.

Missouri and Kansas Rate Case Filings

In February 2006, KCP&L filed rate cases with the MPSC and the KCC. For information on these rate cases, see Note 5 to the consolidated financial statements for additional discussion of KCP&L's comprehensive energy plan.

Southwest Power Pool Regional Transmission Organization

Under FERC Order 2000, KCP&L, as an investor-owned utility, is strongly encouraged to join a FERC approved RTO. See Note 5 to the consolidated financial statements for further information.

Competition

Missouri and Kansas continue on the fully integrated utility model and no legislation authorizing retail choice has been introduced in Missouri or Kansas for several years. As a result, KCP&L does not compete with others to supply and deliver electricity in its franchised service territory, although other sources of energy can provide alternatives to KCP&L's customers. If Missouri or Kansas were to pass and implement legislation authorizing or mandating retail choice, KCP&L may no longer be able to apply regulated utility accounting principles to deregulated portions of its operations and may be required to write off certain regulatory assets and liabilities.

KCP&L does compete in the wholesale market to sell power in circumstances when power generated is not required for customers in its service territory. KCP&L competes in this regard with other owners of generating stations, principally utilities in its region, on the basis of availability and price. In recent years these wholesale sales have been an important source of revenues to KCP&L.

Power Supply

KCP&L is a member of the Southwest Power Pool, Inc. (SPP) reliability region. As one of the ten regional members of the North American Electric Reliability Council, SPP is responsible for maintaining reliability in its area through coordination of planning and operations. As a member of the SPP, KCP&L is required to maintain a capacity margin of at least 12% of its projected peak summer demand. This net positive supply of capacity and energy is maintained through its generation assets and capacity, power purchase agreements and peak demand reduction programs. The capacity margin is designed to ensure the reliability of electric energy in the SPP region in the event of operational failure of power generating units utilized by the members of the SPP.

KCP&L's maximum system net hourly summer peak load of 3,610 MW occurred on August 21, 2003. The maximum winter peak load of 2,563 MW occurred on December 7, 2005. During 2005, the summer peak load was 3,512 MW. The projected peak summer demand for 2006 is 3,595 MW. KCP&L expects to meet its projected capacity requirements for the years 2006 through 2009 with its generation assets and through short-term capacity purchases, additional demand-side management and efficiency programs and the addition of wind generation. As part of its comprehensive energy plan, KCP&L expects to have Unit No. 2 in service in 2010.

Fuel

The principal sources of fuel for KCP&L's electric generation are coal and nuclear fuel. KCP&L expects, with normal weather, to satisfy approximately 98% of its 2006 fuel requirements from these sources with the remainder provided by natural gas and oil. The actual 2005 and estimated 2006 fuel mix and delivered cost in cents per net kWh generated are in the following table.

| Fuel | Fuel Mix ^(a) | | Fuel cost in cents per net kWh generated | |
|---------------------|-------------------------|----------------|--|----------------|
| | Estimated 2006 | Actual 2005 | Estimated 2006 | Actual 2005 |
| Coal | 77 % | 77 % | 1.24 | 1.01 |
| Nuclear | 21 | 21 | 0.44 | 0.44 |
| Natural gas and oil | 2 | 2 | 11.15 | 8.29 |
| Total Generation | 100 % | 100 % | 1.22 | 1.06 |

^(a) Fuel mix based on percent of total MWhs generated.

Less than 1% of KCP&L's rates contain an automatic fuel adjustment clause. Consequently, to the extent the price of coal, coal transportation, nuclear fuel, nuclear fuel processing, natural gas or purchased power increase significantly after the expiration of the contracts described in this section, or if KCP&L's lower fuel cost units do not meet anticipated availability levels, KCP&L's net income may be adversely affected until the increased cost could be reflected in rates.

Coal

During 2006, KCP&L's generating units, including jointly owned units, are projected to burn approximately 13.5 million tons of coal. KCP&L has entered into coal-purchase contracts with various suppliers in Wyoming's Powder River Basin (PRB), the nation's principal supply region of low-sulfur coal, and with local suppliers. These contracts will satisfy all projected coal requirements for 2006 and 2007 and 84%, 35% and 22% respectively, for 2008 through 2010. The remainder of KCP&L's coal requirements will be fulfilled through additional contracts or spot market purchases. KCP&L has entered into its coal contracts over time at higher average prices affecting coal costs for 2006 and beyond.

KCP&L has also entered into rail transportation contracts with various railroads for moving coal from the PRB to its generating units. These contracts will satisfy approximately all of the projected requirements for 2006 and 2007 and 98%, 78% and 77%, respectively, for 2008 through 2010; however, KCP&L has been experiencing coal delivery issues. Coal transportation costs are expected to increase in 2006 and beyond. See Note 15 to the consolidated financial statements regarding a rate complaint case against Union Pacific Railroad Company. See Item 7. MD&A, KCP&L Business Overview for additional information.

Nuclear Fuel

KCP&L owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek, its only nuclear generating unit. Wolf Creek purchases uranium and has it processed for use as fuel in its reactor. This is a three step process that involves conversion of uranium concentrates to uranium hexafluoride, enrichment of uranium hexafluoride and fabrication of nuclear fuel assemblies. The owners of Wolf Creek have on hand or under contract 100% of the uranium and conversion services needed to operate Wolf Creek through September 2009. The owners also have under contract 100% of the uranium enrichment required to operate Wolf Creek through March 2008. Fabrication requirements are under contract through 2024. Letters of intent have been issued with suppliers for a substantial portion of Wolf Creek's uranium, conversion and enrichment requirements extending through at least 2017.

All uranium, uranium conversion and uranium enrichment arrangements, as well as the fabrication agreement, have been entered into in the ordinary course of business. However, contraction and consolidation among suppliers of these commodities and services, coupled with increasing worldwide demand and past inventory drawdowns, have introduced some uncertainty as to Wolf Creek's ability to replace some of these contracts in the event of a protracted supply disruption. Great Plains Energy's management believes this potential problem is common to the nuclear industry. Accordingly, in the event the affected contracts were required to be replaced, Great Plains Energy's and Wolf Creek's management believes that the industry and government would work together to minimize disruption of the nuclear industry's operations, including Wolf Creek's operations.

See Note 4 to the consolidated financial statements for additional information regarding nuclear plant.

Natural Gas

KCP&L is projecting decreased use of natural gas during 2006 as a result of KCP&L's projected normal summer weather and fewer plant outages in 2006. KCP&L has hedged approximately 45% of its 2006 projected natural gas usage for generation requirements to serve retail load and firm MWh sales.

Purchased Power

At times, KCP&L purchases power to meet its customers' needs. Management believes KCP&L will be able to obtain enough power to meet its future demands due to the coordination of planning and operations in the SPP region; however, price and availability of power purchases may be impacted during periods of high demand. KCP&L's purchased power, as a percent of MWh requirements, averaged approximately 5% for 2005, 2004 and 2003.

Environmental Matters

KCP&L's operations are subject to regulation by federal, state and local authorities with regard to air and other environmental matters. The generation and transmission of electricity produces and requires disposal of certain hazardous products that are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. Failure to comply with these laws and regulations could have a material adverse effect on KCP&L.

KCP&L operates in an environmentally responsible manner and seeks to use current technology to avoid and treat contamination. KCP&L regularly conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. Environmental-related legislation is continuously introduced in Congress. Such legislation typically includes various compliance dates and compliance limits. Such legislation could have the potential for a significant financial impact on KCP&L, including the installation of new pollution control equipment to achieve compliance. However, KCP&L would seek recovery of capital costs and expenses for such compliance through rates. KCP&L will continue to monitor proposed legislation. See Note 13 to the consolidated financial statements for additional information regarding environmental matters.

STRATEGIC ENERGY

Great Plains Energy owns just under 100% of the indirect interest in Strategic Energy. Strategic Energy provides competitive retail electricity supply services by entering into power supply contracts to supply electricity to its end-use customers. Of the states that offer retail choice, Strategic Energy operates in California, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas. In addition to competitive retail electricity supply services, Strategic Energy records insignificant wholesale revenues and purchased power expense incidental to the retail services provided. Strategic Energy also provides strategic planning, consulting and billing and scheduling services in the natural gas and electricity markets.

Strategic Energy provides services to approximately 51,000 commercial, institutional and small manufacturing accounts for approximately 10,300 customers including numerous Fortune 500 companies, smaller companies and governmental entities. Strategic Energy's projected MWh deliveries for 2006 based on signed contracts and expected additional MWh contracts and deliveries are in the range of 16 to 18 million MWhs. Based solely on expected usage under current signed contracts, Strategic Energy has forecasted future MWh commitments (backlog) of 10.4 million, 4.3 million and 2.3 million for the years 2006 through 2008, respectively.

Strategic Energy's revenues averaged approximately 55% of Great Plains Energy's revenues over the last three years. Strategic Energy's net income accounted for approximately 17%, 24% and 21% of Great Plains Energy's income from continuing operations in 2005, 2004 and 2003, respectively.

Strategic Energy's growth objective is to continue to expand in retail choice states and continue to earn its share of a large and growing market opportunity. Strategic Energy's continued success is dependent on a number of industry and operational factors including, but not limited to, the ability to contract for wholesale MWhs to meet its customers' needs at prices that are competitive with the host utility territory rates and with current and/or future competitors, the ability to provide value-added customer services and the ability to attract and retain employees experienced in providing service in retail choice states.

Power Supply

Strategic Energy does not own any generation, transmission or distribution facilities. Strategic Energy purchases blocks of electricity from power suppliers based on forecasted peak demand for its retail customers. Management believes it will have adequate access to energy in the markets it serves.

Regulation

Strategic Energy, as a participant in the wholesale electricity and transmission markets, is subject to FERC jurisdiction. Additionally, Strategic Energy is subject to regulation by state regulatory agencies in states where Strategic Energy is licensed to sell power. Each state has a public utility commission and rules related to retail choice. Each state's rules are distinct and may conflict. These rules do not restrict the amount Strategic Energy can charge for its services, but can have an impact on Strategic Energy's ability to provide retail electricity services in any jurisdiction.

Texas

During 2005, the Public Utility Commission of Texas (Texas PUC) opened a project to review rules related to the Price-to-Beat (PTB) and Provider of Last Resort. Should the Texas PUC change the current PTB mechanism to one that is less reflective of market-based rates, the change could have an impact on this competitive market and Strategic Energy's prospects for growth in Texas.

Seams Elimination Charge Adjustment

Seams Elimination Charge Adjustment (SECA) is a transitional pricing mechanism authorized by FERC and intended to compensate transmission owners for the revenue lost as a result of FERC's elimination of regional through and out rates between PJM Interconnection (PJM) and the Midwest Independent Transmission System Operator, Inc. (MISO) during a 16-month transition period from December 1, 2004, through March 31, 2006. See Note 5 to the consolidated financial statements for further information regarding SECA.

Transmission

In many markets, RTOs/ISOs manage the power flows, maintain reliability and administer transmission access for the electric transmission grid in a defined region. RTOs/ISOs coordinate and monitor communications among the generator, distributor and retail electricity provider. Additionally, RTOs/ISOs manage the real-time electricity supply and demand, and direct the energy flow. Through these activities RTOs/ISOs maintain a reliable energy supply within their region.

As a competitive retail electricity supplier, Strategic Energy must register with each RTO/ISO in order to operate in the markets covered by their grids. Strategic Energy primarily engages with PJM, New England RTO (formerly ISO-New England), California ISO, New York ISO, Electric Reliability Council of Texas (ERCOT) and MISO.

In some cases, RTO/ISOs provide Strategic Energy with all or a combination of the data for billing, settlement, application of electricity rates and information regarding the imbalance of electricity supply. In addition, they provide balancing energy services and ancillary services to Strategic Energy in the fulfillment of providing services to retail end users. Strategic Energy must go through a settlement process with each RTO/ISO in which the RTO/ISO compares scheduled power with actual meter usage during a given time period and adjusts the original costs charged to Strategic Energy through a revised settlement. All participants in the RTOs/ISOs have exposure to other market participants. In the event of default by a market participant within the RTOs/ISOs, the uncollectible balance is generally allocated to the remaining participants in proportion to their load share.

RTOs/ISOs may continue to modify the market structure and mechanisms in an attempt to improve market efficiency. In addition, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to Strategic Energy's activities. These actions could have an effect on Strategic Energy's results of operations. Strategic Energy participates extensively, together with other market participants, in relevant RTO/ISO governance and regulatory issues.

Competition

Strategic Energy operates in several retail choice electricity markets. Strategic Energy has several competitors that operate in most or all of the same states in which it provides services to customers. Some of these competitors also operate in states other than where Strategic Energy has operations. Strategic Energy also faces competition in certain markets from regional suppliers and deregulated utility affiliates formed by holding companies affiliated with regulated utilities to provide retail load in their home market territories. Strategic Energy's competitors vary in size from small companies to large corporations, some of which have significantly greater financial, marketing, and procurement resources than Strategic Energy. Additionally, Strategic Energy, as well as its other competitors, must compete with the host utility in order to convince customers to switch from the host utility. In most markets, there is a regulatory lag that slows the adjustment of host public utility rates in response to changes in wholesale prices, which may negatively affect Strategic Energy's ability to compete in a rising wholesale price environment. The principal elements of competition are price, service and product differentiation.

GREAT PLAINS ENERGY AND CONSOLIDATED KCP&L EMPLOYEES

At December 31, 2005, Great Plains Energy had 2,382 employees. Consolidated KCP&L had 2,078 employees, including 1,335 represented by three local unions of the International Brotherhood of Electrical Workers (IBEW). KCP&L has labor agreements with Local 1613, representing clerical employees (expires March 31, 2008), with Local 1464, representing transmission and distribution workers (expires January 31, 2009), and with Local 412, representing power plant workers (expires February 28, 2007).

All of the individuals in the following table have been officers or employees in a responsible position with the Company for the past five years except as noted in the footnotes. The term of office of each officer commences with his or her appointment by the Board of Directors and ends at such time as the Board of Directors may determine. There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

Officers of Great Plains Energy

| Name | Age | Current Position(s) | Year First Assumed An Officer Position |
|--------------------------------------|-----|---|--|
| Michael J. Chesser ^{(a)*} | 57 | Chairman of the Board and Chief Executive Officer | 2003 |
| William H. Downey ^{(b)*} | 61 | President and Chief Operating Officer | 2000 |
| Terry Bassham ^{(c)*} | 45 | Executive Vice President, Finance and Strategic Development and Chief Financial Officer | 2005 |
| Michael W. Cline ^(d) | 44 | Treasurer and Chief Risk Officer | 2003 |
| Barbara B. Curry ^{(e)*} | 51 | Senior Vice President, Corporate Services and Corporate Secretary | 2005 |
| Michael L. Deggendorf ^(f) | 44 | Vice President, Public Affairs | 2005 |
| Stephen T. Easley ^{(g)*} | 50 | Senior Vice President, Supply – KCP&L | 2000 |
| Mark G. English ^{(h)*} | 54 | General Counsel and Assistant Secretary | 2003 |
| Chris B. Giles ^{(i)*} | 52 | Vice President, Regulatory Affairs – KCP&L | 2005 |
| Todd A. Kobayashi ^(j) | 38 | Vice President, Strategy and Investor Relations | 2005 |
| Shahid Malik ^{(k)*} | 45 | Executive Vice President President and Chief Executive Officer – Strategic Energy | 2004 |
| John R. Marshall ^{(l)*} | 56 | Senior Vice President, Delivery – KCP&L | 2005 |
| William G. Riggins ^{(m)*} | 47 | Vice President, Legal and Environmental Affairs and General Counsel – KCP&L | 2000 |
| Lori A. Wright ^{(n)*} | 43 | Controller | 2002 |
| John J. DeStefano ^{(o)*} | 56 | President – Great Plains Power Incorporated President – Home Service Solutions Inc. | 1989 |

Officers of KCP&L

| Name | Age | Current Position(s) | Year First Assumed An Officer Position |
|--|-----|---|--|
| Michael J. Chesser ^{(a)*} | 57 | Chairman of the Board | 2003 |
| William H. Downey ^{(b)*} | 61 | President and Chief Executive Officer | 2000 |
| Terry Bassham ^{(c)*} | 45 | Chief Financial Officer | 2005 |
| Lora C. Cheatum ^{(p)*} | 49 | Vice President, Administrative Services | 2005 |
| Michael W. Cline ^(d) | 44 | Treasurer | 2003 |
| F. Dana Crawford ^{(q)*} | 55 | Vice President, Plant Operations | 2005 |
| Barbara B. Curry ^{(e)*} | 51 | Secretary | 2005 |
| Stephen T. Easley ^{(g)*} | 50 | Senior Vice President, Supply | 2000 |
| Mark G. English ^(h) | 54 | Assistant Secretary | 2003 |
| Chris B. Giles ^{(i)*} | 52 | Vice President, Regulatory Affairs | 2005 |
| William P. Herdeggen III ^{(r)*} | 51 | Vice President, Customer Operations | 2001 |
| John R. Marshall ^{(l)*} | 56 | Senior Vice President, Delivery | 2005 |
| William G. Riggins ^{(m)*} | 47 | Vice President, Legal and Environmental Affairs and General Counsel | 2000 |
| Marvin L. Rollison ^(s) | 53 | Vice President, Corporate Culture and Community Strategy | 2005 |
| Richard A. Spring* | 51 | Vice President, Transmission | 1994 |
| Lori A. Wright ^{(n)*} | 43 | Controller | 2002 |

* Designated an executive officer.

(a) Mr. Chesser was previously Chief Executive Officer of United Water (2002-2003) and President and Chief Executive Officer of GPU Energy (2000-2002).

(b) Mr. Downey was previously Executive Vice President of Great Plains Energy (2001- 2003) and Executive Vice President of KCP&L (2000-2002) and President – KCP&L Delivery Division (2000-2002).

(c) Mr. Bassham was previously Executive Vice President, Chief Financial and Administrative Officer (2001-2005) and Executive Vice President and General Counsel (2000-2001) of El Paso Electric Company.

(d) Mr. Cline was previously Treasurer of Great Plains Energy (2005), Assistant Treasurer of Great Plains Energy and KCP&L (2003-2005), Director, Corporate Finance (2001-2002), and Assistant Treasurer–Corporate Finance of Corning Inc. (2001).

(e) Ms. Curry was previously Senior Vice President, Retail Operations (2003-2004), Executive Vice President, Global Human Resources (2001-2003) and Executive Vice President, Corporate Services (1997-2001) of TXU Corporation.

(f) Mr. Deggendorf was previously Senior Director, Energy Solutions of KCP&L (2002-2005), Senior Vice President of Everest Connections, a cable services company (2000-2002) and Vice President of UtiliCorp Communications (2000-2002).

(g) Mr. Easley was previously Vice President, Generation Services (2002-2005), President and CEO of GPP (2001-2002) and Vice President – Business Development of KCP&L Power Division (2000-2001). He was promoted to Senior Vice President, Supply of KCP&L in March 2005.

(h) Mr. English was previously Corporate Counsel and Assistant Secretary (2003-2005) and Corporate Counsel (2001-2003) of Great Plains Energy, and Vice President, General Counsel and Corporate Secretary of KLT Inc. (1997-2001).

(i) Mr. Giles was previously Senior Director, Regulatory Affairs and Business Planning (2004-2005) and Director, Regulatory Affairs of KCP&L (1993-2004).

- (j) Mr. Kobayashi was previously Investor Relations Officer (2002-2005) and Director-Investor Relations and Corporate Development of Lante Corporation, a technology consulting firm (2000-2002).
- (k) Mr. Malik was appointed as President and Chief Executive Officer of Strategic Energy effective November 10, 2004 and was appointed Executive Vice President of Great Plains Energy effective January 1, 2006. Mr. Malik was previously a partner of Sirius Solutions LLP, a consulting company, (2002-2004) and President of Reliant Energy Wholesale Marketing Group (1999-2002).
- (l) Mr. Marshall was previously President of Coastal Partners, Inc., a strategy consulting company (2001-2005), Senior Vice President, Customer Service of Tennessee Valley Authority (2002-2004), and President of Duquesne Light Company (1999-2001).
- (m) Mr. Riggins was previously General Counsel of Great Plains Energy (2000-2005).
- (n) Ms. Wright served as Assistant Controller of KCP&L from 2001 until named Controller in 2002 and was Director of Accounting and Reporting of American Electric Power Company, Inc. (2000-2001).
- (o) Mr. DeStefano retired December 31, 2005.
- (p) Ms. Cheatum was previously Interim Vice President, Human Resources (2004-2005) and Director, Human Resources (2001-2004) of KCP&L, and Regional Human Resources Director (1999-2001) of McLane Distribution, a division of Wal-Mart.
- (q) Mr. Crawford was previously Plant Manager (1994-2005) of KCP&L's LaCygne Generating Station.
- (r) Mr. Herdegen was Chief Operating Officer of Laramore, Douglass and Popham, an engineering consulting company, (2001) and Vice President and Director of Utilities Practice of System Development Integration, a consulting company, (1999-2001).
- (s) Mr. Rollison was previously Supervisor-Engineering (2000-2005).

Available Information

Great Plains Energy's website is www.greatplainsenergy.com and KCP&L's website is www.kcpl.com. Information contained on the companies' websites is not incorporated herein. Both companies make available, free of charge, on or through their websites, their annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after the companies electronically file such material with, or furnish it to, the SEC. In addition, the companies make available on or through their websites all other reports, notifications and certifications filed electronically with the SEC.

ITEM 1A. RISK FACTORS

Actual results in future periods for Great Plains Energy and consolidated KCP&L could differ materially from historical results and the forward-looking statements contained in this report. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. The companies' business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results, and are often beyond the companies' control. Additional risks and uncertainties not presently known or that the companies' management currently believes to be immaterial may also adversely affect the companies. The risk factors described below, as well as the other information included in this Annual Report and in the other documents filed with the SEC, should be carefully considered before making an investment in the Company's securities. Risk factors of consolidated KCP&L are also risk factors for Great Plains Energy.

The Company has Regulatory Risks

The Company is subject to extensive federal and state regulation, as described below. Failure to obtain adequate rates or regulatory approvals, in a timely manner, adoption of new regulations by federal or state agencies, or changes to current regulations and interpretations of such regulations may materially affect the Company's business and its results of operations and financial position. The Energy Policy Act of 2005 repealed the Public Utility Holding Company Act of 1935, as amended, and provided certain utility customer protection authority to FERC and the states. The Energy Policy Act of 2005, among other things, also requires FERC to perform a study of competition in wholesale and retail electricity markets and authorizes the creation of an Electric Reliability Organization (ERO) to establish

and enforce mandatory reliability standards subject to FERC oversight. The final rule for ERO development and processes for insuring reliable grid operations was issued in February 2006. Management has not yet determined the impact of this final rule. FERC is in the process of establishing rules implementing the Energy Policy Act of 2005, and there is the risk that the rules may adversely affect operations, the results of operations and financial condition of the Company.

KCP&L is regulated by the MPSC and KCC with respect to retail rates, certain accounting matters, standards of service and, in certain cases, the issuance of securities and certification of facilities and service territories. Failure to obtain adequate and timely rate relief may adversely affect KCP&L's results of operations and financial condition. KCP&L is also subject to regulation by FERC with respect to the issuance of short-term debt, wholesale electricity sales and transmission matters and the NRC as to nuclear operations.

Strategic Energy is a participant in the wholesale electricity and transmission markets, and is subject to FERC regulation with respect to wholesale electricity sales and transmission matters. Additionally, Strategic Energy is subject to regulation by state regulatory agencies in states where it has retail customers. Each state has a public utility commission and rules related to retail choice. Each state's rules are distinct and may conflict. These rules do not restrict the amount Strategic Energy can charge for its services, but can have an impact on Strategic Energy's ability to provide retail electricity services in each state. Additionally, each state regulates the rates of the host public utility, and the timing and amount of changes in host public utility rates can materially affect Strategic Energy's results of operations and financial position.

The Company has Financial Market and Ratings Risks

The Company relies on access to both short-term money markets and longer-term capital markets as a significant source of liquidity for capital requirements not satisfied by cash flows from operations. KCP&L's capital requirements are expected to increase substantially over the next several years as it implements the generation and environmental projects in its comprehensive energy plan. The Company's management believes that it will maintain sufficient access to these financial markets at a reasonable cost based upon current credit ratings and market conditions. However, changes in market conditions or credit ratings could adversely affect its ability to access financial markets at a reasonable cost, impact the rate treatment provided KCP&L, or both, and therefore materially affect its results of operations and financial position.

Great Plains Energy, KCP&L and certain of their securities are rated by Moody's Investors Service and Standard & Poor's. These ratings impact the Company's cost of funds and Great Plains Energy's ability to provide credit support for its subsidiaries.

The Company's Financial Statements Reflect the Application of Critical Accounting Policies

The application of the Company's critical accounting policies reflects complex judgments and estimates. These policies include industry-specific accounting applicable to regulated public utilities, accounting for pensions, long-lived and intangible assets, goodwill and derivative instruments. The adoption of new Generally Accepted Accounting Principles (GAAP) or changes to current accounting policies or interpretations of such policies may materially affect the Company's results of operations and financial position.

The Company is Subject to Environmental Laws and the Incurrence of Environmental Liabilities

The Company is subject to regulation by federal, state and local authorities with regard to air and other environmental matters primarily through KCP&L's operations. The generation, transmission and distribution of electricity produces and requires disposal of certain hazardous products, which are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including

finer, injunctive relief and other sanctions. KCP&L regularly conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. Failure to comply with these laws and regulations could have a material adverse effect on Great Plains Energy and consolidated KCP&L results of operations and financial position.

New environmental laws and regulations affecting KCP&L's operations may be adopted, and new interpretations of existing laws and regulations could be adopted or become applicable to KCP&L or its facilities, which may substantially increase its environmental expenditures in the future. New facilities, or modifications of existing facilities, may require new environmental permits or amendments to existing permits. Delays in the environmental permitting process, denials of permit applications or conditions imposed in permits may materially affect the cost and timing of the generation and environmental retrofit projects included in the comprehensive energy plan, among other projects, and thus materially affect KCP&L's results of operations and financial position. In addition, KCP&L may not be able to recover all of its costs for environmental expenditures through rates in the future. Under current law, KCP&L is also generally responsible for any on-site liabilities associated with the environmental condition of its facilities that it has previously owned or operated, regardless of whether the liabilities arose before, during or after the time it owned or operated the facilities. The incurrence of material environmental costs or liabilities, without related rate recovery, could have a material adverse effect on KCP&L's results of operations and financial position. See Note 13 to the consolidated financial statements for additional information regarding environmental matters.

Great Plains Energy's Ability to Pay Dividends and Meet Financial Obligations Depends on its Subsidiaries

Great Plains Energy is a holding company with no significant operations of its own. The primary source of funds for payment of dividends to its shareholders and its financial obligations is dividends paid to it by its subsidiaries, particularly KCP&L. The ability of Great Plains Energy's subsidiaries to pay dividends or make other distributions, and, accordingly, Great Plains Energy's ability to pay dividends on its common stock and meet its financial obligations, will depend on the actual and projected earnings and cash flow, capital requirements and general financial position of its subsidiaries, as well as on regulatory factors, financial covenants, general business conditions and other matters.

KCP&L and Strategic Energy are Affected by Demand, Seasonality and Weather

The results of operations of KCP&L and Strategic Energy can be materially affected by changes in weather and customer demand. KCP&L and Strategic Energy estimate customer demand based on historical trends, to procure fuel and purchased power. Differences in customer usage from these estimates due to weather or other factors could materially affect KCP&L's and Strategic Energy's results of operations.

Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities. KCP&L is significantly impacted by seasonality with approximately one-third of its retail revenues recorded in the third quarter. Strategic Energy is impacted by seasonality, but to a much lesser extent. In addition, severe weather, including but not limited to tornados, snow, rain and ice storms can be destructive causing outages and property damage that can potentially result in additional expenses and lower revenues. KCP&L's Iatan and Hawthorn stations use water from the Missouri River for cooling purposes. Low water and flow levels, which have been experienced in recent years, can increase KCP&L's maintenance costs at these stations and, if these levels get low enough, could cause KCP&L to modify plant operations.

KCP&L and Strategic Energy have Commodity Price Risks

KCP&L and Strategic Energy engage in the wholesale and retail marketing of electricity and, accordingly, are exposed to risks associated with the price of electricity. Strategic Energy routinely

enters into contracts to purchase and sell electricity in the normal course of business. KCP&L generates, purchases and sells electricity in the retail and wholesale markets.

Fossil Fuel and Transportation Prices Impact KCP&L's Costs

Less than 1% of KCP&L's rates contain an automatic fuel adjustment clause, exposing KCP&L to risk from changes in the market prices of coal and natural gas used to generate power and in the cost of coal and natural gas transportation. Changes in KCP&L's fuel mix due to electricity demand, plant availability, transportation issues, fuel prices and other factors can also adversely affect KCP&L's fuel costs.

KCP&L does not hedge its entire exposure from fossil fuel and transportation price volatility. As a consequence, its results of operations and financial position may be materially impacted by changes in these prices, until increased costs are recovered in rates.

Wholesale Electricity Prices Affect Costs and Revenues

KCP&L's ability to maintain or increase its level of wholesale sales depends on the wholesale market price, transmission availability and the availability of KCP&L's generation for wholesale sales, among other factors. A substantial portion of KCP&L's wholesale sales are made in the spot market, and thus KCP&L has immediate exposure to wholesale price changes. Declines in wholesale market price or availability of generation or transmission constraints in the wholesale markets, could reduce KCP&L's wholesale sales and adversely affect KCP&L's results of operations and financial position.

KCP&L is also exposed to risk because at times it purchases power to meet its customers' needs. The cost of these purchases may be affected by the timing of customer demand and/or unavailability of KCP&L's lower-priced generating units. Wholesale power prices can be volatile and generally increase in times of high regional demand and high natural gas prices.

Strategic Energy operates in competitive retail electricity markets, competing against the host utilities and other retail suppliers. Wholesale electricity costs, which account for a significant portion of its operating expenses, can materially affect Strategic Energy's ability to attract and retain retail electricity customers at profitable prices. There is also a regulatory lag that slows the adjustment of host public utility rates in response to changes in wholesale prices. This lag can negatively affect Strategic Energy's ability to compete in a rising wholesale price environment. Strategic Energy manages wholesale electricity risk by establishing risk limits and entering into contracts to offset some of its positions to balance energy supply and demand; however, Strategic Energy does not hedge its entire exposure to electricity price volatility. As a consequence, its results of operations and financial position may be materially impacted by changes in the wholesale price of electricity.

KCP&L has Operations Risks

The operation of KCP&L's electric generation, transmission and distribution systems involves many risks, including breakdown or failure of equipment or processes; operating limitations that may be imposed by equipment conditions, environmental or other regulatory requirements; fuel supply or fuel transportation reductions or interruptions; transmission scheduling; and catastrophic events such as fires, explosions, severe weather or other similar occurrences.

These and other operating events may reduce KCP&L's revenues or increase its costs, or both, and may materially affect KCP&L's results of operations and financial position.

KCP&L has Construction-Related Risks

KCP&L's comprehensive energy plan includes the construction of an estimated 850 MW coal-fired generating plant, 100.5 MW of wind generation and environmental retrofits at two existing coal-fired units. KCP&L has not recently managed a construction program of this magnitude. There are risks

that actual costs may exceed budget estimates, delays may occur in obtaining permits and materials, suppliers and contractors may not perform as required under their contracts, and events beyond KCP&L's control may occur that may materially affect the schedule, budget and performance of these projects. These risks may increase the costs of these construction projects, require KCP&L to purchase additional electricity to supply its retail customers until the projects are completed, or both, and may materially affect KCP&L's results of operations and financial position.

KCP&L has Retirement-Related Risks

Through 2010, approximately 30% of KCP&L's current employees will be eligible to retire with full pension benefits. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, may adversely affect KCP&L's ability to manage and operate its business.

Substantially all of KCP&L's employees participate in defined benefit and postretirement plans. If KCP&L employees retire when they become eligible for retirement through 2010, or if KCP&L's plans experience adverse market returns on its investments, or if interest rates materially fall, KCP&L's pension expense and contributions to the plans could rise substantially over historical levels. The timing and number of employees retiring and selecting the lump sum payment option could result in pension settlement charges that could materially affect KCP&L's results of operations. In addition, assumptions related to future costs, returns on investments, interest rates and other actuarial assumptions, including projected retirements, have a significant impact on KCP&L's results of operations and financial position. Proposed legislation pending in Congress on pension reform could result in increased pension funding requirements. The Financial Accounting Standards Board (FASB) has a project to reconsider the accounting for pensions and other post-retirement benefits. This project may result in accelerated expense, liability recognition and contributions.

KCP&L has Nuclear Exposure

KCP&L owns 47% (548 MW) of Wolf Creek. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities, including Wolf Creek. In the event of non-compliance, the NRC has the authority to impose fines, shut down the facilities, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Any revised safety requirements promulgated by the NRC could result in substantial capital expenditures at Wolf Creek.

Wolf Creek has the lowest fuel cost per MWh of any of KCP&L's generating units. Although not expected, an extended outage of Wolf Creek, whether resulting from NRC action, an incident at the plant or otherwise, could have a substantial adverse effect on KCP&L's results of operations and financial position in the event KCP&L incurs higher replacement power and other costs that are not recovered through rates. If a long-term outage occurred, the state regulatory commissions could reduce rates by excluding the Wolf Creek investment from rate base.

Ownership and operation of a nuclear generating unit exposes KCP&L to risks regarding decommissioning costs at the end of the unit's life. KCP&L contributes annually to a tax-qualified trust fund to be used to decommission Wolf Creek. The funding level assumes a projected level of return on trust assets. If the actual return on trust assets is below the anticipated level, KCP&L could be responsible for the balance of funds required. If returns are lower than the expected level, management believes a rate increase would be allowed ensuring full recovery of decommissioning costs over the remaining life of the unit.

KCP&L is also exposed to other risks associated with the ownership and operation of a nuclear generating unit, including but not limited to potential liability associated with the potential harmful effects on the environment and human health resulting from the operation of a nuclear generating unit and the

storage, handling and disposal of radioactive materials, and to potential retrospective assessments and losses in excess of insurance coverage.

Strategic Energy Operates in Competitive Retail Electricity Markets

Strategic Energy has several competitors that operate in most or all of the same states in which it serves customers. Some of these competitors also operate in states other than where Strategic Energy has operations. It also faces competition in certain markets from regional suppliers and deregulated utility affiliates formed by holding companies affiliated with regulated utilities to provide retail load in their home market territories. Strategic Energy's competitors vary in size from small companies to large corporations, some of which have significantly greater financial, marketing and procurement resources than Strategic Energy. Additionally, Strategic Energy, as well as its other competitors, must compete with the host utility in order to convince customers to switch from the host utility. Strategic Energy's results of operations and financial position are impacted by the success Strategic Energy has in attracting and retaining customers in these markets.

Strategic Energy has Wholesale Electricity Supplier Credit Risk

Strategic Energy has credit risk exposure in the form of the loss that it could incur if a counterparty failed to perform under its contractual obligations. Strategic Energy enters into forward contracts with multiple suppliers. In the event of supplier non-delivery or default, Strategic Energy's results of operations could be affected to the extent the cost of replacement power exceeded the combination of the contracted price with the supplier and the amount of collateral held by Strategic Energy to mitigate its credit risk with the supplier. Strategic Energy's results of operations could also be affected, in a given period, if it were required to make a payment upon termination of a supplier contract to the extent the contracted price with the supplier exceeded the market value of the contract at the time of termination.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

KCP&L Generation Resources

| | Unit | Year Completed | Estimated 2006 MW Capacity | Primary Fuel |
|-----------|--|----------------|----------------------------|--------------|
| Base Load | Wolf Creek | 1985 | 548 ^(a) | Nuclear |
| | Iatan No. 1 | 1980 | 456 ^{(a) (b)} | Coal |
| | LaCygne No. 2 | 1977 | 341 ^(a) | Coal |
| | LaCygne No. 1 | 1973 | 370 ^(a) | Coal |
| | Hawthorn No. 5 ^(c) | 1969 | 563 | Coal |
| | Montrose No. 3 | 1964 | 176 | Coal |
| | Montrose No. 2 | 1960 | 164 | Coal |
| | Montrose No. 1 | 1958 | 170 | Coal |
| Peak Load | West Gardner Nos. 1, 2, 3 and 4 ^(e) | 2003 | 308 | Natural Gas |
| | Osawatomie ^(e) | 2003 | 77 | Natural Gas |
| | Hawthorn No. 9 ^(d) | 2000 | 130 | Natural Gas |
| | Hawthorn No. 8 ^(e) | 2000 | 77 | Natural Gas |
| | Hawthorn No. 7 ^(e) | 2000 | 77 | Natural Gas |
| | Hawthorn No. 6 ^(e) | 1997 | 136 | Natural Gas |
| | Northeast Nos. 17 and 18 ^(e) | 1977 | 117 | Oil |
| | Northeast Nos. 15 and 16 ^(e) | 1975 | 116 | Oil |
| | Northeast Nos. 13 and 14 ^(e) | 1976 | 114 | Oil |
| | Northeast Nos. 11 and 12 ^(e) | 1972 | 111 | Oil |
| | Northeast Black Start Unit | 1985 | 2 | Oil |
| Total | | | 4,053 | |

^(a) KCP&L's share of a jointly owned unit.

^(b) The Iatan No. 2 air permit limits KCP&L's accredited capacity of Iatan No. 1 to 456 MWs from 469 MWs until the air quality control equipment included in the comprehensive energy plan is operational.

^(c) The Hawthorn Generating Station returned to commercial operation in 2001 with a new boiler, air quality control equipment and an uprated turbine following a 1999 explosion.

^(d) Heat Recovery Steam Generator portion of combined cycle.

^(e) Combustion turbines.

KCP&L owns the Hawthorn Station (Jackson County, Missouri), Montrose Station (Henry County, Missouri), Northeast Station (Jackson County, Missouri), West Gardner Station (Johnson County, Kansas) and Osawatomie Station (Miami County, Kansas). KCP&L also owns 50% of the 740 MW LaCygne No. 1 and 682 MW LaCygne No. 2 (Linn County, Kansas), 70% of the 651 MW Iatan No. 1 (Platte County, Missouri) and 47% of the 1,166 MW Wolf Creek Unit (Coffey County, Kansas). See Note 5 to the consolidated financial statements for information regarding KCP&L's comprehensive energy plan and the proposed addition of new capacity.

KCP&L Transmission and Distribution Resources

KCP&L's electric transmission system interconnects with systems of other utilities for reliability and to permit wholesale transactions with other electricity suppliers. KCP&L owns over 1,700 miles of transmission lines, approximately 9,000 miles of overhead distribution lines and over 3,700 miles of underground distribution lines in Missouri and Kansas. KCP&L has all the franchises necessary to sell electricity within the territories from which substantially all of its gross operating revenue is derived. KCP&L's transmission and distribution systems are continuously monitored for adequacy to meet customer needs. Management believes the current systems are adequate to serve its customers.

KCP&L General

KCP&L's principal plants and properties, insofar as they constitute real estate, are owned in fee simple. Certain other facilities are located on premises held under leases, permits or easements. KCP&L electric transmission and distribution systems are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements or licenses (deemed satisfactory but without examination of underlying land titles) have been obtained.

Substantially all of the fixed property and franchises of KCP&L, which consists principally of electric generating stations, electric transmission and distribution lines and systems, and buildings subject to exceptions and reservations, are subject to a General Mortgage Indenture and Deed of Trust dated as of December 1, 1986. General mortgage bonds totaling \$159.3 million were outstanding at December 31, 2005.

ITEM 3. LEGAL PROCEEDINGS

Weinstein v. KLT Telecom

Richard D. Weinstein (Weinstein) filed suit against KLT Telecom Inc. (KLT Telecom) in September 2003 in the St. Louis County, Missouri Circuit Court. KLT Telecom acquired a controlling interest in DTI Holdings, Inc. (Holdings) in February 2001 through the purchase of approximately two-thirds of the Holdings stock held by Weinstein. In connection with that purchase, KLT Telecom entered into a put option in favor of Weinstein, which granted Weinstein an option to sell to KLT Telecom his remaining shares of Holdings stock. The put option provided for an aggregate exercise price for the remaining shares equal to their fair market value with an aggregate floor amount of \$15 million and was exercisable between September 1, 2003, and August 31, 2005. In June 2003, the stock of Holdings was cancelled and extinguished pursuant to the joint Chapter 11 plan confirmed by the Bankruptcy Court. In September 2003, Weinstein delivered a notice of exercise of his claimed rights under the put option. KLT Telecom rejected the notice of exercise. KLT Telecom denied that Weinstein has any remaining rights or claims pursuant to the put option and denied any obligation to pay Weinstein any amount under the put option. Subsequent to KLT Telecom's rejection of his notice of exercise, Weinstein filed suit alleging breach of contract. Weinstein sought damages of at least \$15 million, plus statutory interest. In April 2005, summary judgment was granted in favor of KLT Telecom, and Weinstein has appealed this judgment to the Missouri Court of Appeals for the Eastern District. The \$15 million reserve has not been reversed pending the outcome of the appeal process, which management expects will conclude in early 2006.

Hawthorn No. 5 Litigation

KCP&L filed suit on April 3, 2001, in Jackson County, Missouri Circuit Court against multiple defendants who are alleged to have responsibility for the 1999 boiler explosion at KCP&L's Hawthorn No. 5 generating unit, which was subsequently reconstructed and returned to service. KCP&L and National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union) entered into a subrogation allocation agreement under which recoveries in this suit are generally allocated 55% to National Union and 45% to KCP&L. Certain defendants have been dismissed from the suit and various defendants settled, with KCP&L receiving a total of \$38.2 million under the terms of the subrogation allocation agreement. Trial of this case with the one remaining defendant resulted in a March 2004 jury verdict finding KCP&L's damages as a result of the explosion were \$452 million. After deduction of amounts received from pre-trial settlements with other defendants and an amount for KCP&L's comparative fault (as determined by the jury), the verdict would have resulted in an award against the defendant of approximately \$97.6 million (of which KCP&L would have received \$33 million pursuant to the subrogation allocation agreement after payment of attorney's fees). In response to post-trial pleadings filed by the defendant, in May 2004, the trial judge reduced the award against the defendant to \$0.2 million. Both KCP&L and the defendant have appealed this case to the Court of Appeals for the Western District of Missouri. Oral arguments are expected in the first quarter of 2006.

KCP&L Stipulations and Agreements

On March 28, 2005, and April 27, 2005, KCP&L filed Stipulations and Agreements with the MPSC and KCC, respectively, containing a regulatory plan and other provisions. The Stipulations and Agreements are discussed in Note 5 to the consolidated financial statements, which is incorporated herein by reference. Parties to the MPSC Stipulation and Agreement are KCP&L, the Staff of the MPSC, the City of Kansas City, Missouri, Office of Public Counsel, Praxair, Inc., Missouri Industrial Energy Consumers, Ford Motor Company, Aquila, Inc., The Empire District Electric Company, Missouri Joint Municipal Electric Utility Commission and the Missouri Department of Natural Resources. Parties to the KCC Stipulation and Agreement are KCP&L, the Staff of the KCC, Sprint Nextel Corporation and the Kansas Hospital Association.

The MPSC issued its Report and Order, approving the Stipulation and Agreement, on July 28, 2005, and the KCC issued its Order Approving Stipulation and Agreement on August 5, 2005. On September 22, 2005, the Sierra Club and Concerned Citizens of Platte County, two nonprofit corporations, filed a petition for review in the Circuit Court of Cole County, Missouri, seeking to review and set aside the MPSC Report and Order. On October 21, 2005, the Sierra Club filed a petition for review in the District Court of Shawnee County, Kansas, seeking to set aside or remand the KCC order. Although subject to the appeal, the MPSC and KCC orders remain in effect pending the court's decision. The appeals are expected to be decided by the courts in 2006.

KCP&L Rate Cases

On February 1, 2006, KCP&L filed retail rate cases with the MPSC and KCC, requesting annual rate increases effective January 1, 2007, of approximately \$55.8 million (11.5%) and \$42.3 million (10.5%), respectively, over current levels. Hearings on these cases are expected to begin in September 2006 and the decisions of the MPSC and KCC are expected in December 2006.

Kansas City Power & Light Company v. Union Pacific Railroad Company

On October 12, 2005, KCP&L filed a rate complaint case with the Surface Transportation Board (STB) charging that Union Pacific Railroad Company's (Union Pacific) rates for transporting coal from the PRB in Wyoming to KCP&L's Montrose Station are unreasonably high. Prior to the end of 2005, the rates were established under a contract with Union Pacific. Efforts to extend the term of the contract were unsuccessful and Union Pacific is the only service for coal transportation from the PRB to Montrose Station. KCP&L charged that Union Pacific possesses market dominance over the traffic and requested the STB prescribe maximum reasonable rates. Management anticipates filing opening evidence by mid-year 2006 and the STB issuing its decision toward the end of 2007. Until the STB case is finalized, KCP&L is paying tariff rates subject to refund.

Tech Met, Inc., et al. v. Strategic Energy

On November 21, 2005, a class action complaint for breach of contract was filed against Strategic Energy in the Court of Common Pleas of Allegheny County, Pennsylvania. The five named plaintiffs purportedly represent the interests of customers in Pennsylvania who entered into Power Supply Coordination Service Agreements (Agreement) for electricity service. The complaint seeks monetary damages, attorney fees and costs and a declaration that the customers may terminate their Agreement with Strategic Energy. Strategic Energy has filed preliminary objections asking the court to order plaintiffs to file an amended complaint that conforms to applicable court rules.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of 2005, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise for either Great Plains Energy or KCP&L.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

GREAT PLAINS ENERGY

Great Plains Energy common stock is listed on the New York Stock Exchange under the symbol GXP. At February 28, 2006, Great Plains Energy's common stock was held by 14,186 shareholders of record. Information relating to market prices and cash dividends on Great Plains Energy's common stock is set forth in the following table.

| Quarter | Common Stock Price Range | | | | Common Stock Dividends Declared | | |
|---------|--------------------------|----------|----------|----------|---------------------------------|----------|----------|
| | 2005 | | 2004 | | 2006 | 2005 | 2004 |
| | High | Low | High | Low | | | |
| First | \$ 31.61 | \$ 29.56 | \$ 35.29 | \$ 31.66 | \$ 0.415 ^(a) | \$ 0.415 | \$ 0.415 |
| Second | 32.25 | 29.77 | 34.36 | 29.23 | | 0.415 | 0.415 |
| Third | 32.63 | 29.82 | 31.71 | 28.62 | | 0.415 | 0.415 |
| Fourth | 30.23 | 27.27 | 30.71 | 28.17 | | 0.415 | 0.415 |

^(a) Declared February 7, 2006.

Regulatory Restrictions

Under stipulations with the MPSC and KCC, Great Plains Energy has committed to maintain consolidated common equity of not less than 30%.

Dividend Restrictions

Great Plains Energy's Articles of Incorporation contain certain restrictions on the payment of dividends on Great Plains Energy's common stock in the event common equity falls to 25% of total capitalization. If preferred stock dividends are not declared and paid when scheduled, Great Plains Energy could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect members to the Board of Directors.

Equity Compensation Plan

The Company's Long-Term Incentive Plan is an equity compensation plan approved by its shareholders. The Long-Term Incentive Plan permits the grant of restricted stock, stock options, limited stock appreciation rights and performance shares to officers and other employees of the Company and its subsidiaries. The following table provides information, as of December 31, 2005, regarding the number of common shares to be issued upon exercise of outstanding options, warrants and rights, their weighted average exercise price, and the number of shares of common stock remaining available for future issuance under the Long-Term Incentive Plan. The table excludes shares issued or issuable under Great Plains Energy's defined contribution savings plans.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|--|--|--|
| Equity compensation plans approved by security holders | 284,216 ⁽¹⁾ | \$ 25.56 ⁽²⁾ | 2,014,496 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 284,216 | \$ 25.56 | 2,014,496 |

⁽¹⁾ Includes 172,761 performance shares at target performance levels and options for 111,455 shares of Great Plains Energy common stock outstanding at December 31, 2005.

⁽²⁾ The 172,761 performance shares have no exercise price and therefore are not reflected in the weighted average exercise price.

Purchases of Equity Securities

The following table provides information regarding purchases by the Company of its equity securities during the fourth quarter of 2005.

| Issuer Purchases of Equity Securities | | | | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---------------------------------------|---|--|---|---|
| Month | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | |
| October 1 - 31 | 5,862 ⁽¹⁾ | \$30.12 | - | N/A |
| November 1 - 30 | 1,390 ⁽¹⁾ | 28.54 | - | N/A |
| December 1 - 31 | - | - | - | N/A |
| Total | 7,252 | \$29.82 | - | N/A |

⁽¹⁾ Represents shares of common stock surrendered to the Company by certain officers to pay taxes related to the vesting of restricted common stock.

KCP&L

KCP&L is a wholly owned subsidiary of Great Plains Energy, which holds the one share of issued and outstanding KCP&L common stock.

Regulatory Restrictions

Under the Federal Power Act, KCP&L can pay dividends only out of retained or current earnings.

Under stipulations with the MPSC and KCC, KCP&L has committed to maintain consolidated common equity of not less than 35%.

Equity Compensation Plan

KCP&L does not have an equity compensation plan; however, KCP&L officers participate in Great Plains Energy's Long-Term Incentive Plan.

ITEM 6. SELECTED FINANCIAL DATA

| Year Ended December 31 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|--|----------|----------|----------|-----------|
| Great Plains Energy ^(a) | (dollars in millions except per share amounts) | | | | |
| Operating revenues | \$ 2,605 | \$ 2,464 | \$ 2,148 | \$ 1,802 | \$ 1,399 |
| Income (loss) from continuing operations ^(b) | \$ 164 | \$ 174 | \$ 190 | \$ 137 | \$ (28) |
| Net income (loss) | \$ 162 | \$ 181 | \$ 145 | \$ 126 | \$ (24) |
| Basic and diluted earnings (loss) per common share from continuing operations | \$ 2.18 | \$ 2.39 | \$ 2.72 | \$ 2.16 | \$ (0.49) |
| Basic and diluted earnings (loss) per common share | \$ 2.15 | \$ 2.49 | \$ 2.07 | \$ 1.99 | \$ (0.42) |
| Total assets at year end | \$ 3,834 | \$ 3,799 | \$ 3,682 | \$ 3,517 | \$ 3,464 |
| Total redeemable preferred stock, mandatorily redeemable preferred securities and long-term debt (including current maturities) | \$ 1,143 | \$ 1,296 | \$ 1,347 | \$ 1,332 | \$ 1,342 |
| Cash dividends per common share | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 |
| SEC ratio of earnings to fixed charges | 3.61 | 3.51 | 4.23 | 2.99 | (c) |
| Consolidated KCP&L ^(a) | | | | | |
| Operating revenues | \$ 1,131 | \$ 1,092 | \$ 1,057 | \$ 1,013 | \$ 1,287 |
| Income from continuing operations ^(d) | \$ 144 | \$ 143 | \$ 126 | \$ 103 | \$ 116 |
| Net income | \$ 144 | \$ 143 | \$ 117 | \$ 96 | \$ 120 |
| Total assets at year end | \$ 3,339 | \$ 3,337 | \$ 3,303 | \$ 3,139 | \$ 3,146 |
| Total redeemable preferred stock, mandatorily redeemable preferred securities and long-term debt (including current maturities) | \$ 976 | \$ 1,126 | \$ 1,336 | \$ 1,313 | \$ 1,311 |
| SEC ratio of earnings to fixed charges | 3.87 | 3.34 | 3.69 | 2.88 | 2.07 |

^(a) Great Plains Energy's consolidated financial statements include results for all subsidiaries in operation for the periods presented. KCP&L's consolidated financial statements include its wholly owned subsidiary HSS. In addition, KCP&L's consolidated results of operations include KLT Inc. and GPP for all periods prior to the October 1, 2001, formation of Great Plains Energy.

^(b) This amount is before discontinued operations of \$(1.9), \$7.3, \$(44.8), \$(7.5) and \$4.3 million in 2005 through 2001, respectively. In 2002, this amount is before a \$3.0 million cumulative effect of a change in accounting principle.

^(c) An \$87.1 million deficiency in earnings caused the ratio of earnings to fixed charges to be less than a one-to-one coverage. A \$195.8 million net write-off before income taxes related to the bankruptcy filing of DTI was recorded in 2001.

^(d) This amount is before discontinued operations of \$(8.7), \$(4.0) and \$3.6 million in 2003 through 2001, respectively. In 2002, this amount is before a \$3.0 million cumulative effect of a change in accounting principle.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The MD&A that follows is a combined presentation for Great Plains Energy and consolidated KCP&L, both registrants under this filing. The discussion and analysis by management focuses on those factors that had a material effect on the financial condition and results of operations of the registrants during the periods presented. It should be read in conjunction with the accompanying consolidated financial statements and related notes. See Item 1A. Risk Factors for further discussion of the companies' risk factors.

Great Plains Energy is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries. Great Plains Energy's direct subsidiaries with operations or active subsidiaries are KCP&L, KLT Inc., IEC and Services. As a diversified energy company, Great Plains Energy's reportable business segments include KCP&L and Strategic Energy.

EXECUTING ON STRATEGIC INTENT

During 2005, the Company initiated several important steps in executing on its Strategic Intent.

KCP&L's Comprehensive Energy Plan

KCP&L continues to make progress in implementing its comprehensive energy plan and received orders from the MPSC and KCC in 2005. The orders were on agreements reached among KCP&L, the Commissions' staffs and certain key parties in the respective jurisdictions. The Sierra Club and Concerned Citizens of Platte County have appealed the MPSC order, and the Sierra Club has appealed the KCC order. These appeals are expected to be decided in 2006. Although subject to these appeals, the MPSC and KCC orders remain in effect pending the applicable court's decision.

In February 2006, KCP&L filed requests with the MPSC and KCC for annual rate increases of \$55.8 million or 11.5% and \$42.3 million or 10.5%, respectively. Item No. 2 detailed project engineering and design has begun and plant construction is expected to start in 2006. KCP&L has selected a developer and contractor for the construction of a 100.5 MW wind project in Kansas and management expects the project to be completed in time for inclusion in rates in 2007. See Note 5 to the consolidated financial statements for more information on the comprehensive energy plan.

Strategic Energy's Business Plan

Strategic Energy is addressing the rising electricity price environment by focusing on four key areas.

- Positioning – Strategic Energy is focused on retail choice markets where host utility electricity prices adjust quickly to changes in the wholesale markets and a consultative sales approach to provide value to customers.
- Procurement – Strategic Energy is focused on strategies to gain price improvement through load aggregation to increase the volume purchased from certain suppliers. Strategic Energy has continued to invest in talent to improve procurement practices as well as identify and take advantage of opportunities to manage retail portfolio load requirements.
- Products – Strategic Energy is focused on designing and marketing products to address customers' needs in a high price environment. In 2005, over half of Strategic Energy's new sales were attributable to the introduction of new products or product extensions into new customer classes. In 2006, management expects to introduce additional new and innovative products and services in each of Strategic Energy's customer classes. The introduction of these products and services will strive to meet customers' expectations in challenging and dynamic retail choice markets.

- Productivity – New systems are in the process of being implemented and are anticipated to improve operational scalability. Focusing on dynamic markets also enhances productivity by enabling Strategic Energy to maximize general and administrative resources.

KCP&L BUSINESS OVERVIEW

KCP&L is an integrated, regulated electric utility that engages in the generation, transmission, distribution and sale of electricity. KCP&L has over 4,000 MWs of generating capacity and has transmission and distribution facilities that provide electricity to approximately 500,000 customers in the states of Missouri and Kansas. KCP&L has continued to experience modest load growth. Load growth consists of higher usage per customer and the addition of new customers. Retail electricity rates are below the national average.

KCP&L's residential customers' usage patterns are significantly affected by weather. Bulk power sales, the major component of wholesale sales, vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. Less than 1% of revenues include an automatic fuel adjustment provision. KCP&L's coal base load equivalent availability factor decreased to 82% in 2005 from 84% in 2004, reflecting scheduled and forced plant outages. The 176 MW Montrose No. 3 generator step-up transformer (GSU) failed in late May 2005. KCP&L leased a spare GSU until the failed GSU was repaired and installed during the fourth quarter of 2005. In August 2005, Hawthorn No. 5's GSU failed, which resulted in a 32-day outage. A spare GSU was installed in September; however, the size of the spare GSU limits the output of the unit to net 500 MW. The 65 MW decrease in Hawthorn No. 5 capability will continue until a new transformer is installed, currently expected in June 2006. The outage to install the repaired GSU is expected to be completed in 14 days.

KCP&L's nuclear unit, Wolf Creek, accounts for approximately 20% of its base load capacity and over a three-year period averaged over 20% of KCP&L's MWhs generated. Wolf Creek's availability was approximately 13% lower in 2005 compared to 2004 due to its scheduled spring 2005 refueling outage. Replacement power costs for scheduled Wolf Creek outages are accrued evenly over the unit's 18-month operating cycle. KCP&L expects its cost of nuclear fuel to remain relatively stable through 2009 because of contracts in place.

The fuel cost per MWh generated and the purchased power cost per MWh has a significant impact on the results of operations for KCP&L. Generation fuel mix can substantially change the fuel cost per MWh generated. Nuclear fuel cost per MWh generated is substantially less than the cost of coal per MWh generated, which is significantly lower than the cost of natural gas and oil per MWh generated. The cost per MWh for purchased power is significantly higher than the cost per MWh of coal and nuclear generation. KCP&L continually evaluates its system requirements, the availability of generating units, availability and cost of fuel supply and purchased power, and the requirements of other electric systems to provide reliable power economically.

KCP&L expects its fuel expense to increase significantly in 2006 due to projected increases in the cost of coal and coal transportation. The anticipated increase in delivered coal prices is expected to affect most regional utilities; therefore, the increase is not expected to materially erode KCP&L's position as a low cost regional electricity generator.

Rail companies have experienced longer cycle times for coal deliveries to utilities across the country since the third quarter of 2004. Western rail service further deteriorated in 2005 due to two train derailments that occurred on the primary rail line serving the PRB. Maintenance to repair significant sections of track on this rail line began in 2005 and is expected to be completed by the end of 2006. These repairs must be completed before normal train operations from the PRB can resume, which affects all users of PRB coal. Approximately 98% of KCP&L's coal requirements come from the PRB

and originate on the Burlington Northern Santa Fe and the Union Pacific railroads, both of which have been affected by the current rail situation. As a result, most utilities, including KCP&L, have coal inventories that are below desired levels. KCP&L implemented coal conservation measures by reducing coal generation in 2005 and expects to continue these measures for at least the first half of 2006. This reduction in coal generation in the marketplace caused upward pressure on both pricing for next power generation fuel sources (natural gas and/or oil) and wholesale electricity prices in 2005 and is expected to continue into 2006. The rail companies have indicated that they expect the impact related to the 2006 maintenance program to be less than the 10% to 15% reduction in deliveries experienced in 2005, but have offered no estimate on the likely reduction. Management cannot predict with any certainty the 2006 impact of the situation; however, an inability to obtain timely delivery of coal to meet generation requirements could materially impact KCP&L's results of operations. Management is monitoring the situation closely and steps will be taken, as necessary, to maintain an adequate energy supply for KCP&L's retail load and firm MWh sales.

STRATEGIC ENERGY BUSINESS OVERVIEW

Great Plains Energy owns just under 100% of the indirect interest in Strategic Energy. Strategic Energy does not own any generation, transmission or distribution facilities. Strategic Energy provides competitive retail electricity supply services by entering into power supply contracts to supply electricity to its end-use customers. Of the states that offer retail choice, Strategic Energy operates in California, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas.

In addition to competitive retail electricity supply services, Strategic Energy records insignificant wholesale revenues and purchased power expense incidental to the retail services provided. Strategic Energy also provides strategic planning, consulting and billing and scheduling services in the natural gas and electricity markets. The cost of supplying electricity to retail customers can vary widely by geographic market. This variability can be affected by many factors, including, but not limited to, geographic differences in the cost per MWh of purchased power, renewable energy requirements and capacity charges due to regional purchased power availability and requirements of other electricity providers and differences in transmission charges.

Strategic Energy provides services to approximately 51,000 commercial, institutional and small manufacturing accounts for approximately 10,300 customers including numerous Fortune 500 companies, smaller companies and governmental entities. In response to marketplace trends, Strategic Energy has designed and introduced new products tailored for specific market conditions and segments. Strategic Energy offers an array of products, including fixed price, index-based and month-to-month renewal products, designed to meet the various requirements of a diverse customer base in evolving markets. Strategic Energy's volume-based customer retention rate, excluding month-to-month customers on market-based rates, for 2005 was 76%. The corresponding volume-based customer retention rate including month-to-month customers on market-based rates was 86%.

In some markets, wholesale power prices in 2005 rose faster than host utility rates. In markets where this occurred, the savings competitive suppliers could offer to customers were reduced or in some markets were unavailable. Additionally, in those markets where wholesale power prices were lower than host utility rates, Strategic Energy faced strong competition from other competitive suppliers. These factors, among others, contributed to reductions in MWhs delivered and average retail gross margin per MWh in 2005 compared to 2004.

At the end of 2005, Strategic Energy experienced improvement in certain key metrics, including strong backlog growth, longer contract durations and higher retention rates. Management believes a combination of factors contributed to the improved metrics, including successful focus on positioning, procurement, products and productivity, as well as a changing market environment. Customer perceptions about the longer-term price of electricity may be changing as a result of the prolonged

period of high and volatile power prices seen in the last few years and customers may be more willing to enter into long-term contracts in order to achieve price certainty. Also, a decrease in near-term power prices at the end of 2005 may have provided a catalyst for some customers to convert from month-to-month service to term contracts. Management believes, but cannot assure, that these trends may continue into 2006.

Strategic Energy currently expects the retail gross margin per MWh (retail revenues less retail purchased power divided by retail MWhs delivered) delivered in 2006 to average \$4.25 to \$4.75 and the retail gross margin per MWh on new customer contracts entered into in 2006 to average from \$3.00 to \$4.00. Strategic Energy expects to realize additional retail gross margin on fixed price contracts of up to \$0.50 per MWh over the life of the contract. The additional expected margin is derived from management of the retail portfolio load requirements. These activities include benefits from financial transmission rights and auction revenue rights, short-term load balancing activities, short-term arbitrage activities and identifying and executing on favorable transmission paths. MWhs delivered in 2006 are projected to range from 16 to 18 million. Based solely on expected usage under current signed contracts, Strategic Energy has forecasted future MWh commitments (backlog) of 10.4 million, 4.3 million and 2.3 million for the years 2006 through 2008, respectively. Strategic Energy expects to deliver additional MWhs in these years through new and renewed term contracts and MWh deliveries to month-to-month customers.

LOWER EARNINGS EXPECTED IN 2006

Great Plains Energy's projected net income is expected to decrease in 2006. The decrease in projected net income for 2006 is due to a significant increase in fuel cost and related transportation expenses at KCP&L, lower volume and lower anticipated average retail gross margins at Strategic Energy and the absence of certain tax benefits recorded in 2005. These factors are expected to more than offset projected operational efficiencies at both KCP&L and Strategic Energy, KCP&L's retail load growth, higher wholesale volume and higher allowance for equity funds used during construction related to the comprehensive energy plan.

Through 2010, approximately 30% of KCP&L's current employees are eligible to retire with full pension benefits. The timing and number of employees retiring and selecting the lump sum payment option could result in settlement charges that could materially affect KCP&L's 2006 results of operations.

RELATED PARTY TRANSACTIONS

See Note 12 to the consolidated financial statements for information regarding related party transactions.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been used could have a material impact on the results of operations and financial position. Management has identified the following accounting policies deemed critical to the understanding of the companies' results of operations and financial position. Management has discussed the development and selection of these critical accounting policies with the Audit Committee of the Board of Directors for Great Plains Energy and KCP&L.

Pensions

The companies incur significant costs in providing non-contributory defined pension benefits. The costs are measured using actuarial valuations that are dependent upon numerous factors derived from actual plan experience and assumptions of future plan experience.

Pension costs are impacted by actual employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plan, earnings on plan assets and plan amendments. In addition, pension costs are also affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets and the discount rates used in determining the projected benefit obligation and pension costs.

These actuarial assumptions are updated annually in accordance with Statement of Financial Accounting Standards (SFAS) No. 87, "Employers' Accounting for Pensions." In selecting an assumed discount rate, the prevailing market rate of fixed income debt instruments with maturities matching the expected timing of the benefit obligation was considered. The assumed rate of return on plan assets was developed based on the weighted average of long-term returns forecast for the expected portfolio mix of investments held by the plan. These assumptions are based on management's best estimates and judgment; however, material changes may occur if these assumptions differ from actual events. See Note 9 to the consolidated financial statements for information regarding the assumptions used to determine benefit obligations and net costs.

The following table reflects the sensitivities associated with a 0.5% increase or a 0.5% decrease in key actuarial assumptions. Each sensitivity reflects the impact of the change based solely on a change in that assumption only.

| Actuarial assumption | Change in Assumption | Impact on Projected Benefit Obligation | Impact on Pension Liability | Impact on 2005 Pension Expense |
|-------------------------------|----------------------|--|-----------------------------|--------------------------------|
| | | | (millions) | |
| Discount rate | 0.5% increase | \$ (32.9) | \$ (18.1) | \$ (2.3) |
| Rate of return on plan assets | 0.5% increase | - | - | (1.9) |
| Discount rate | 0.5% decrease | 35.1 | 19.8 | 2.5 |
| Rate of return on plan assets | 0.5% decrease | - | - | 1.9 |

KCP&L recorded pension expense reflecting orders from the MPSC and KCC that established annual pension costs at \$22 million, reducing 2005 pension expense. The difference between pension costs under SFAS No. 87 and the amount allowed for ratemaking is recorded as a regulatory asset or liability for future ratemaking recovery or refunds, as appropriate. See discussion of Regulatory Matters below and Note 9 to the consolidated financial statements for additional information.

Market conditions and interest rates significantly affect the future assets and liabilities of the plan. It is difficult to predict future pension costs, changes in pension liability and cash funding requirements due to volatile market conditions.

Regulatory Matters

As a regulated utility, KCP&L is subject to the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, KCP&L has recorded assets and liabilities on its balance sheet resulting from the effects of the ratemaking process, which would not be recorded under GAAP if KCP&L were not regulated. Regulatory assets represent costs incurred that have been deferred because future recovery in customer rates is probable. Regulatory liabilities generally represent probable future reductions in revenue or refunds to customers. Future recovery of regulatory assets is

not assured, but is generally subject to review by regulators in rate proceedings for matters such as prudence and reasonableness. Future reductions in revenue or refunds for regulatory liabilities generally are not mandated, pending future rate proceedings or actions by the regulators. Management regularly assesses whether regulatory assets and liabilities are probable of future recovery or refund by considering factors such as decisions by the MPSC, KCC or FERC on KCP&L's rate case filings; decisions in other regulatory proceedings, including decisions related to other companies that establish precedence on matters applicable to KCP&L; and changes in laws and regulations. If recovery or refund of regulatory assets or liabilities is not approved by regulators or is no longer deemed probable, these regulatory assets or liabilities are recognized in the current period results of operations. KCP&L's continued ability to meet the criteria for application of SFAS No. 71 may be affected in the future by restructuring and deregulation in the electric industry. In the event that SFAS No. 71 no longer applied to a deregulated portion of KCP&L's operations, the related regulatory assets and liabilities would be written off unless an appropriate regulatory recovery mechanism is provided. Additionally, these factors could result in an impairment on utility plant assets as determined pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." See Note 5 to the consolidated financial statements for more information.

Impairment of Assets, Intangible Assets and Goodwill

Long-lived assets and intangible assets subject to amortization are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as prescribed under SFAS No. 144.

Goodwill is tested for impairment at least annually and more frequently when indicators of impairment exist as prescribed under SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that if the fair value of a reporting unit is less than its carrying value including goodwill, the implied fair value of the reporting unit goodwill must be compared with its carrying value to determine the amount of impairment.

Impairment analyses require management to make assumptions about future sales, operating costs and discount rates over the life of the related asset, or in some cases over an indefinite life. Potential impairment indicators include such factors as current period losses combined with a history of losses, or a projection of continuing losses or a significant decrease in the market price of the asset under review. Management's assumptions about these factors require significant judgment and under different assumptions, the fair value of an asset could be materially different.

Accounting standards require a company to recognize an impairment in the current period results of operations if the sum of the undiscounted expected future cash flows from the company's asset is less than the carrying value of the asset. The impairment recognized is the difference between the fair value and book value of the asset.

Energy and Energy-Related Contract Accounting

Strategic Energy generally purchases power under forward physical delivery contracts to supply electricity to its retail energy customers under full requirement sales contracts. The full requirements sales contracts and the forward physical delivery contracts meet the accounting definition of a derivative; however, Strategic Energy applies the normal purchases and normal sales (NPNS) exception accounting treatment on full requirement sales contracts. Derivative contracts designated as NPNS are accounted for by accrual accounting, which requires the effects of the derivative to be recorded when the underlying contract settles.

Strategic Energy has historically designated the majority of the forward physical delivery contracts as NPNS; however, as certain markets continue to develop, some derivative instruments may no longer qualify for the NPNS exception. As such, Strategic Energy is designating these forward physical

delivery contracts as cash flow hedges, which could result in future increased volatility in derivative assets and liabilities, other comprehensive income (OCI) and net income. Under cash flow hedge accounting, the fair value of the contract is recorded as a current or long-term derivative asset or liability. Subsequent changes in the fair value of the derivative assets and liabilities are recorded on a net basis in OCI and subsequently reclassified to purchased power expense in Great Plains Energy's consolidated statement of income as the power is delivered and/or the contract settles. Accordingly, the increase in derivatives accounted for as cash flow hedges and the corresponding decrease in derivatives accounted for as NPNS transactions may affect the timing and nature of accounting recognition, but does not change the underlying economics of the transactions.

The fair value of forward purchase derivative contracts that do not meet the requirements for the NPNS exception or cash flow hedge accounting are recorded as current or long-term derivative assets or liabilities. Changes in the fair value of these contracts could result in operating income volatility as changes in the associated derivative assets and liabilities are recorded in purchased power expense in Great Plains Energy's consolidated statement of income.

Strategic Energy's derivative assets and liabilities consist of a combination of energy and energy-related contracts. While some of these contracts represent commodities or instruments for which prices are available from external sources, other commodities and certain contracts are not actively traded and are valued using modeling techniques to determine expected future market prices. The market prices used to determine fair value reflect management's best estimate considering time, volatility and historical trends. Future market prices may vary from those used in recording energy assets and liabilities at fair value and such variations could be significant.

Market prices for energy and energy-related commodities vary based upon a number of factors. Changes in market prices will affect the recorded fair value of energy contracts. Changes in the fair value of energy contracts will affect operating income in the period of the change for contracts under fair value accounting and OCI in the period of change for contracts under cash flow hedge accounting, while changes in forward market prices related to contracts under accrual accounting will affect operating income in future periods to the extent those prices are realized. Management cannot predict whether, or to what extent, the factors affecting market prices may change, but those changes could be material and could be either favorable or unfavorable.

GREAT PLAINS ENERGY RESULTS OF OPERATIONS

The following table summarizes Great Plains Energy's comparative results of operations.

| | 2005 | 2004 | 2003 |
|--|------------|------------|------------|
| | | (millions) | |
| Operating revenues | \$ 2,604.9 | \$ 2,464.0 | \$ 2,148.0 |
| Fuel | (207.9) | (179.4) | (160.3) |
| Purchased power | (1,429.7) | (1,300.0) | (1,022.1) |
| Other operating expenses | (527.5) | (510.6) | (479.2) |
| Depreciation and amortization | (153.1) | (150.1) | (142.8) |
| Gain (loss) on property | (3.5) | (5.1) | 23.7 |
| Operating income | 283.2 | 318.8 | 367.3 |
| Non-operating income (expenses) | 2.7 | (8.4) | (13.0) |
| Interest charges | (73.8) | (83.0) | (76.2) |
| Income taxes | (39.7) | (54.5) | (78.6) |
| Minority interest in subsidiaries | (7.8) | 2.1 | (7.8) |
| Loss from equity investments | (0.4) | (1.5) | (2.0) |
| Income from continuing operations | 164.2 | 173.5 | 189.7 |
| Discontinued operations, net of income taxes | (1.9) | 7.3 | (44.8) |
| Net income | 162.3 | 180.8 | 144.9 |
| Preferred dividends | (1.6) | (1.6) | (1.6) |
| Earnings available for common shareholders | \$ 160.7 | \$ 179.2 | \$ 143.3 |

2005 compared to 2004

Great Plains Energy's 2005 earnings decreased to \$160.7 million, or \$2.15 per share, from \$179.2 million, or \$2.49 per share in 2004. A higher average number of common shares diluted 2005 EPS by \$0.08 primarily due to the issuance of 5.0 million shares in June 2004.

Consolidated KCP&L's net income represented approximately 90% of Great Plains Energy's 2005 earnings and was relatively unchanged in 2005 compared to 2004. KCP&L's net income decreased \$4.8 million primarily due to higher fuel costs and purchased power prices, as well as the effects of plant outages and coal conservation on fuel mix. Higher other operating expenses were partially offset by the regulatory accounting treatment of pension expense. These decreases to net income were offset by retail revenues increasing 6% as a result of significantly warmer summer weather in 2005 compared to an unusually mild summer in 2004. Additionally, the favorable impact of sustained audit positions on the 2005 composite tax rates lowered income taxes. KCP&L's decrease was more than offset by \$5.2 million in reduced losses at HSS primarily due to a 2004 impairment charge related to the 2005 sale of Worry Free.

Strategic Energy's net income decreased \$14.3 million in 2005 compared to 2004. Retail MWhs delivered decreased 4% in 2005 compared to 2004. The average retail gross margin per MWh declined 14% to \$5.19 in 2005. The decline in average retail gross margin per MWh in 2005 compared to 2004 was primarily due to an environment of higher and less volatile energy prices, flat to higher forward electricity prices and 2005 SECA charges in excess of recoveries. The negative impacts on average retail gross margin per MWh were partially offset by two significant opportunities to manage retail portfolio load requirements, the favorable reduction of a gross receipts tax contingency and a favorable change in fair value related to non-hedging energy contracts and from cash flow hedge ineffectiveness. Strategic Energy's 2005 income taxes decreased due to lower taxable income partially offset by \$3.2 million in lower tax benefits allocated from the holding company.

Higher reductions in affordable housing investments and lower related tax credits decreased other non-regulated operations net income in 2005 compared to 2004 by \$5.5 million. Discontinued operations decreased net income \$9.2 million in 2005 compared to 2004, primarily due to a 2004 gain on the sale of the majority of the KLT Gas natural gas properties (KLT Gas portfolio). This gain was partially offset by 2004 losses from the wind down operations and a loss due to the write down of the KLT Gas portfolio to its estimated net realizable value. See Note 8 to the consolidated financial statements for information regarding the discontinued operations.

2004 compared to 2003

Great Plains Energy's 2004 earnings increased to \$179.2 million, or \$2.49 per share, from \$143.3 million, or \$2.07 per share in 2003. A higher average number of common shares diluted 2004 EPS by \$0.10 primarily due to the issuance of 5.0 million shares in June 2004.

Consolidated KCP&L's income from continuing operations increased \$17.4 million in 2004 compared to 2003. Wholesale revenues increased as a result of increased generation, bundling transmission with energy and lower than expected retail loads during the summer months. An increase in operating expenses more than offset these factors primarily due to the increase in MWhs generated, including higher coal and coal transportation costs, higher administrative expenses, an impairment charge related to the first quarter 2005 sale of Worry Free and the significant positive impact on 2003 of the Hawthorn No. 5 litigation settlements. Income taxes decreased due to the favorable impact of state tax planning on the composite tax rate and the allocation of tax benefits from holding company losses pursuant to the Company's intercompany tax allocation agreement. The change in consolidated KCP&L's discontinued operations was due to a \$7.1 million loss on the June 2003 disposition of HSS' interest in RSAE and continuing losses through the date of disposition of \$1.6 million.

Strategic Energy's net income increased \$2.9 million in 2004 compared to 2003. Retail MWhs delivered increased 22% in 2004 compared to 2003. Great Plains Energy, through IEC, completed the purchase of an additional 11.45% indirect interest in Strategic Energy resulting in a \$1.8 million increase in net income. The increase to net income was partially offset by a 16% decline in the average retail gross margin per MWh to \$6.01 in 2004. The decline in average retail gross margin was primarily due to the roll-off of older, higher margin contracts, price discounts driven by a more competitive market and persistently higher commodity prices and a \$4.2 million increase in tax reserves. The negative impacts on average retail gross margin per MWh were partially offset by a \$1.7 million change in fair value related to non-hedging energy contracts and from cash flow hedge ineffectiveness. Strategic Energy's income taxes decreased \$5.9 million in 2004 compared to 2003 reflecting lower taxable income and additional tax benefits allocated from the holding company.

Lower reductions in affordable housing investments and lower interest charges increased other non-regulated operations net income in 2004 compared to 2003 by \$3.1 million. KLT Gas discontinued operations increased \$43.4 million in 2004 compared to 2003 primarily due to the gain on the sale of the majority of KLT Gas portfolio in 2004 combined with the 2003 impairment related to the exit of the KLT Gas business.

CONSOLIDATED KCP&L RESULTS OF OPERATIONS

The following discussion of consolidated KCP&L results of operations includes KCP&L, an integrated, regulated electric utility and HSS, an unregulated subsidiary of KCP&L. References to KCP&L, in the discussion that follows, reflect only the operations of the utility. The following table summarizes consolidated KCP&L's comparative results of operations.

| | 2005 | 2004 | 2003 |
|--|------------|------------|------------|
| | (millions) | | |
| Operating revenues | \$ 1,130.9 | \$ 1,091.6 | \$ 1,057.0 |
| Fuel | (207.9) | (179.4) | (160.3) |
| Purchased power | (61.3) | (52.5) | (53.2) |
| Other operating expenses | (460.8) | (442.3) | (422.6) |
| Depreciation and amortization | (146.6) | (145.2) | (141.0) |
| Gain (loss) on property | (4.6) | (5.1) | 1.6 |
| Operating income | 249.7 | 267.1 | 281.5 |
| Non-operating income (expenses) | 11.8 | (1.9) | (3.1) |
| Interest charges | (61.8) | (74.2) | (70.3) |
| Income taxes | (48.2) | (52.8) | (83.5) |
| Minority interest in subsidiaries | (7.8) | 5.1 | 1.3 |
| Income from continuing operations | 143.7 | 143.3 | 125.9 |
| Discontinued operations, net of income taxes | - | - | (8.7) |
| Net income | \$ 143.7 | \$ 143.3 | \$ 117.2 |

Consolidated KCP&L Sales Revenues and MWh Sales

| | 2005 | % Change | 2004 | % Change | 2003 |
|-----------------------------|------------|-------------|------------|-------------|------------|
| | (millions) | | | | |
| Retail revenues | | | | | |
| Residential | \$ 380.0 | 9 | \$ 347.1 | (4) | \$ 361.5 |
| Commercial | 434.6 | 3 | 421.1 | 1 | 417.6 |
| Industrial | 100.9 | 5 | 96.2 | 1 | 95.0 |
| Other retail revenues | 8.6 | (2) | 8.7 | 1 | 8.7 |
| Total retail | 924.1 | 6 | 873.1 | (1) | 882.8 |
| Wholesale revenues | 192.4 | (4) | 200.2 | 27 | 157.5 |
| Other revenues | 14.3 | (15) | 16.8 | 15 | 14.6 |
| KCP&L electric revenues | 1,130.8 | 4 | 1,090.1 | 3 | 1,054.9 |
| Subsidiary revenues | 0.1 | (93) | 1.5 | (25) | 2.1 |
| Consolidated KCP&L revenues | \$ 1,130.9 | 4 | \$ 1,091.6 | 3 | \$ 1,057.0 |

| | 2005 | % Change | 2004 | % Change | 2003 |
|--------------------------|-------------|-------------|--------|-------------|--------|
| | (thousands) | | | | |
| Retail MWh sales | | | | | |
| Residential | 5,383 | 10 | 4,903 | (3) | 5,047 |
| Commercial | 7,292 | 4 | 6,998 | 1 | 6,933 |
| Industrial | 2,165 | 5 | 2,058 | 1 | 2,035 |
| Other retail MWh sales | 82 | (3) | 85 | - | 85 |
| Total retail | 14,922 | 6 | 14,044 | - | 14,100 |
| Wholesale MWh sales | 4,608 | (30) | 6,603 | 14 | 5,777 |
| KCP&L electric MWh sales | 19,530 | (5) | 20,647 | 4 | 19,877 |

Retail revenues increased \$51.0 million in 2005 compared to 2004. The increase was driven by significantly warmer summer weather in 2005 compared to an unusually mild summer in 2004 and continued load growth of approximately 2%, adjusted for weather for 2005 and 2004. Residential usage per customer increased 9% in 2005, driven by a 45% increase in cooling degree-days, which was 19% above normal.

Retail revenues decreased \$9.7 million in 2004 compared to 2003 primarily due to a \$14.4 million reduction in residential revenues. Residential usage per customer decreased 4% in 2004 compared to 2003 as a result of significantly cooler summer weather in 2004. The Kansas City area experienced one of the coolest summers in the past 30 years, which resulted in cooling degree-days 18% below normal. The impact of the cooler summer weather was partially offset by load growth in 2004. The average number of residential and commercial customers continues to grow; both increased 1% to 2% in 2005 and 2004 compared to the respective prior years.

Wholesale revenues decreased \$7.8 million in 2005 compared to 2004 due to a 30% decrease in MWhs sold, which was significantly offset by an increase in the average market price per MWh. The decrease in MWhs sold was driven by a 5% decrease in net MWhs generated as a result of coal conservation and plant outages. Additionally, retail MWh sales increased 6% in 2005 compared to 2004, which resulted in less MWhs available for wholesale sales. Average market price per MWh increased 56% to \$47.82 in 2005 compared to 2004 due to warmer summer weather in 2005, higher natural gas prices, transmission constraints and coal conservation in the region.

Wholesale revenues increased \$42.7 million in 2004 compared to 2003. Wholesale MWhs sold increased 14%, primarily due to increased generation, bundling transmission with energy and lower than expected retail loads during the summer months, combined with successful marketing efforts. Average market prices per MWh increased 13% to \$30.72 in 2004 compared to 2003, primarily due to more sales made during periods of higher natural gas prices and bundling transmission with energy to provide a delivered product. Additionally, wholesale revenues were affected by the partial settlements of the Hawthorn No. 5 litigation.

As described in Item 3. Legal Proceedings, KCP&L filed suit against multiple defendants who are alleged to have responsibility for the 1999 Hawthorn No. 5 boiler explosion. Various defendants settled with KCP&L in this litigation, resulting in KCP&L recording \$2.4 million and \$35.8 million in 2004 and 2003, respectively. A portion of the settlements, \$1.2 million and \$17.3 million for 2004 and 2003, respectively, was recorded as a recovery of capital expenditures. The following table summarizes the income statement impact related to the remainder of the settlements for loss of use of Hawthorn No. 5.

| | 2004 | 2003 |
|--------------------|------------|---------|
| | (millions) | |
| Wholesale revenues | \$ 0.2 | \$ 2.7 |
| Fuel | 0.2 | 4.0 |
| Purchased power | 0.8 | 11.8 |
| Operating income | 1.2 | 18.5 |
| Income taxes | (0.5) | (7.2) |
| Net income | \$ 0.7 | \$ 11.3 |

Consolidated KCP&L Fuel and Purchased Power

| Net MWhs Generated by Fuel Type | 2005 | % Change | 2004 | % Change | 2003 |
|------------------------------------|--------|-------------|-------------|-------------|--------|
| | | | (thousands) | | |
| Coal | 14,994 | (4) | 15,688 | 5 | 15,011 |
| Nuclear | 4,146 | (13) | 4,762 | 14 | 4,178 |
| Natural gas and oil | 473 | 206 | 155 | (43) | 270 |
| Total Generation | 19,613 | (5) | 20,605 | 6 | 19,459 |

Fuel expense increased \$28.5 million in 2005 compared to 2004 despite a 5% decrease in MWhs generated due to a combination of changes in the fuel mix to higher cost generation, increased coal and coal transportation costs and increased natural gas prices. The changes in fuel mix were driven by the number and duration of plant outages as well as coal conservation measures. KCP&L's 2005 coal and coal transportation contracts were entered into at higher average prices than related 2004 contracts.

Fuel expense increased \$19.1 million in 2004 compared to 2003 due to a 6% increase in MWhs generated, higher coal and coal transportation costs, higher natural gas costs and the net effect of \$3.8 million from the Hawthorn No. 5 partial litigation settlements. The increase was partially offset by changes in the fuel mix to lower cost generation due to increased coal and nuclear fuel and less natural gas in the fuel mix. The change in fuel mix was primarily due to the 2003 refueling outage at Wolf Creek and the cooler 2004 summer weather, which allowed coal and nuclear capacity to supply a greater percentage of the reduced retail load.

Purchased power expense increased \$8.8 million in 2005 compared to 2004. The average price per MWh purchased increased 61% in 2005 compared to 2004 partially offset by an 8% decline in MWhs purchased. The increased prices were driven by purchases during higher priced peak hours as a result of warmer weather, plant outages and overall higher average prices due to higher natural gas prices combined with transmission constraints, coal conservation and outages in the region.

Purchased power expense decreased \$0.7 million in 2004 compared to 2003. MWhs purchased decreased 31% in 2004 compared to 2003 primarily due to lower retail customer demand and a 2% increase in the coal fleet equivalent availability factor in 2004 compared to 2003. The decrease in MWhs purchased was partially offset by an 11% increase in the average price per MWh purchased in 2004 compared to 2003 primarily due to higher natural gas market prices and increased market demand. Another offset includes the net effect of the Hawthorn No. 5 partial litigation settlements, which impacted purchased power expense by \$11.0 million in 2004 compared to 2003.

Consolidated KCP&L Other Operating Expenses (including other operating, maintenance and general taxes)

Consolidated KCP&L's other operating expenses increased \$18.5 million in 2005 compared to 2004 primarily due to the following:

- increased employee related expenses of \$4.7 million including severance and incentive compensation,
- increased expenses of \$2.4 million due to higher legal reserves,
- increased regulatory expenses of \$1.2 million including expenses related to the comprehensive energy plan,
- increased general taxes of \$5.9 million mostly due to increases in gross receipts tax, assessed property valuations and mill levies,

- increased expenses of \$4.2 million due to higher restoration costs for a January 2005 ice storm and June 2005 wind storms compared to the 2004 wind storm restoration costs and
- increased production operations and maintenance expenses of \$4.3 million primarily due to scheduled and forced plant maintenance in 2005 and the reversal of an environmental accrual in 2004.

Partially offsetting the increase in other operating expenses was:

- decreased pension expense of \$4.7 million due to the regulatory accounting treatment of pension expense in accordance with MPSC and KCC orders and
- decreased transmission service expense of \$5.7 million primarily due to lower wholesale MWhs sold.

Consolidated KCP&L's other operating expenses increased \$19.7 million in 2004 compared to 2003 primarily due to the following:

- increased pension expense of \$3.5 million primarily due to lower discount rates, the amortization of investment losses from prior years and plan settlement losses,
- increased other employee-related costs of \$3.5 million including higher medical costs and incentive compensation costs,
- increased property taxes of \$4.3 million primarily due to increases in assessed property valuations and mill levies,
- increased outside services of \$4.4 million including costs associated with Sarbanes-Oxley compliance,
- increased transmission and distribution expenses including \$2.5 million primarily due to increased transmission usage charges as a result of the increased wholesale MWh sales, \$2.3 million related to SPP administration and \$1.3 million in storm related expenses and
- increased office expense including \$2.1 million expenditure to buy out computer equipment operating leases.

Partially offsetting the increase in other operating expenses was:

- decreased plant maintenance expense of \$1.3 million primarily due to differences in timing and scope of outages and \$0.9 million in lower gross receipts taxes as a result of lower retail revenues and
- decreased expenses due to the reversal of an environmental accrual and the establishment of a regulatory asset for the probable recovery in the Kansas jurisdiction of enhanced security costs.

Consolidated KCP&L Gain (loss) on Property

Consolidated KCP&L's gain (loss) on property remained relatively unchanged in 2005 compared to 2004, due to offsetting losses. During 2005, KCP&L wrote off \$3.6 million of plant operating system development costs as a result of vendor non-performance. See Note 15 to the consolidated financial statements for related legal proceedings. Consolidated KCP&L's gain (loss) on property increased operating expenses \$6.7 million in 2004 compared to 2003 primarily due to the 2004 impairment charge related to the 2005 sale of Worry Free.

Consolidated KCP&L Interest Charges

Consolidated KCP&L's interest charges decreased \$12.4 million in 2005 compared to 2004 primarily due to \$10.1 million of interest related to the IRS 1995-1999 audit settlement in 2004. Consolidated KCP&L's interest charges increased \$3.9 million in 2004 compared to 2003. The increase was primarily due to the \$10.1 million of interest discussed above, partially offset by a \$6.3 million decrease primarily due to the 2004 redemption of KCP&L's \$154.6 million 8.3% Junior Subordinated Deferred Interest Bonds.

Consolidated KCP&L Income Taxes

Consolidated KCP&L's income taxes decreased \$4.6 million in 2005 compared to 2004. Several factors contributed to the decreased taxes including lower taxable income in 2005. The favorable impact of sustained audit positions on the composite tax rate decreased income taxes \$6.3 million, including \$3.1 million reflecting the composite tax rate change on deferred tax balances, and the domestic manufacturers' deduction provided for under the American Jobs Creation Act of 2004 contributed \$1.5 million to the decrease in taxes. These 2005 decreases to income taxes were partially offset when compared to 2004 due to the \$10.1 million 2004 tax reserves release discussed below.

Consolidated KCP&L's income taxes decreased \$30.7 million in 2004 compared to 2003. Several factors contributed to the decreased taxes including lower taxable income in 2004. The favorable impact of state tax planning on the composite tax rate decreased income taxes \$10.1 million, including \$8.6 million reflecting the composite tax rate change on deferred tax balances resulting from book to tax temporary differences. An additional \$10.1 million decrease is attributable to the reserves for the interest component of the IRS 1995-1999 audit settlement, which offset interest expense and had no impact on income from continuing operations. Income taxes also decreased by \$5.9 million due to the allocation of tax benefits from holding company losses pursuant to the Company's intercompany tax allocation agreement.

STRATEGIC ENERGY RESULTS OF OPERATIONS

The following table summarizes Strategic Energy's comparative results of operations.

| | 2005 | 2004 | 2003 |
|-----------------------------------|------------|------------|------------|
| | | (millions) | |
| Operating revenues | \$ 1,474.0 | \$ 1,372.4 | \$ 1,091.0 |
| Purchased power | (1,368.4) | (1,247.5) | (968.9) |
| Other operating expenses | (53.4) | (51.3) | (42.1) |
| Depreciation and amortization | (6.4) | (4.8) | (1.7) |
| Gain (loss) on property | (0.1) | - | - |
| Operating income | 45.7 | 68.8 | 78.3 |
| Non-operating income (expenses) | 2.5 | 1.7 | 1.0 |
| Interest charges | (3.4) | (0.7) | (0.4) |
| Income taxes | (16.6) | (24.3) | (30.2) |
| Minority interest in subsidiaries | - | (3.0) | (9.1) |
| Net income | \$ 28.2 | \$ 42.5 | \$ 39.6 |

Retail MWhs delivered decreased 4% to 19.5 million in 2005 compared to 2004. The average retail gross margin per MWh declined 14% to \$5.19 in 2005. The decline in average retail gross margin per MWh in 2005 compared to 2004 was primarily due to an environment of higher and less volatile energy prices, flat to higher forward electricity prices and \$8.3 million in 2005 SECA charges in excess of recoveries. The negative impacts on average retail gross margin per MWh were partially offset by \$6.8 million for two significant opportunities to manage retail portfolio load requirements, a \$2.5 million favorable reduction of a gross receipts tax contingency and an \$0.8 million change in fair value related to non-hedging energy contracts and from cash flow hedge ineffectiveness.

Retail MWhs delivered increased 22% in 2004 compared to 2003. In 2004, Great Plains Energy, through IEC, purchased an additional 11.45% indirect interest in Strategic Energy resulting in a \$1.8 million increase in net income. The increase to net income was partially offset by a 16% decline in the average retail gross margin per MWh to \$6.01 in 2004. The decline in average retail gross margin is primarily due to the roll-off of older, higher margin contracts, price discounts driven by a more competitive market and persistently higher commodity prices and a \$4.2 million increase in tax

reserves. The negative impacts on average retail gross margin per MWh were partially offset by a \$1.7 million change in fair value related to non-hedging energy contracts and from cash flow hedge ineffectiveness.

Strategic Energy Purchased Power

Purchased power is the cost component of Strategic Energy's average retail gross margin. Strategic Energy purchases blocks of electricity from power suppliers based on forecasted peak demand for its retail customers. Actual customer demand does not always equate to the volume included in blocks of purchased power. Consequently, Strategic Energy sells any excess retail electricity supply over actual customer requirements back into the wholesale market. These sales occur on many contracts and are usually short-term power sales (day ahead) and typically settle within the reporting period. Excess retail electricity supply sales also include long-term forward physical sales to wholesale counterparties, which are accounted for on a mark-to-market basis. Strategic Energy typically executes these transactions to manage basis and credit risks. The proceeds from excess retail supply sales are recorded as a reduction of purchased power, as they do not represent the quantity of electricity consumed by Strategic Energy's customers. The amount of excess retail supply sales that reduced purchased power was \$181.2 million, \$173.3 million and \$91.2 million in 2005, 2004 and 2003, respectively. Additionally, in certain markets, load-serving entities are required to sell to and purchase power from a RTO/ISO rather than directly transact with suppliers and end use customers. The sale and purchase activity related to these certain RTO/ISO markets is reflected on a net basis in Strategic Energy's purchased power.

Strategic Energy utilizes derivative instruments, including forward physical delivery contracts, in the procurement of electricity. Purchased power is also impacted by the net change in fair value related to non-hedging energy contracts and from cash flow hedge ineffectiveness. Net changes in fair value reduced purchased power expenses by \$2.5 million in 2005, \$1.7 million in 2004 and were insignificant for 2003. See Note 21 to the consolidated financial statements for more information.

Strategic Energy Other Operating Expenses

Strategic Energy's other operating expenses increased \$2.1 million in 2005 compared to 2004 primarily due to increased employee related expenses including increased severance and incentive compensation, partially offset by a 11% decrease in full time employees to 240 in 2005. Strategic Energy's other operating expenses increased \$9.2 million in 2004 compared to 2003; a 22% increase driven mainly by higher staffing levels associated with the continued growth of Strategic Energy. Additionally, higher consulting expenses associated with new software development initiatives and higher general tax expenses primarily due to higher capital stock and franchise tax rates increased 2004 other operating expenses compared to 2003.

Strategic Energy Income Taxes

Strategic Energy's income taxes decreased \$7.7 million in 2005 compared to 2004 reflecting lower taxable income partially offset by a net \$3.2 million decrease in the allocation of tax benefits from holding company losses pursuant to the Company's intercompany tax allocation agreement. Strategic Energy's income taxes decreased \$5.9 million in 2004 compared to 2003 reflecting lower taxable income and additional tax benefits. The additional benefits included \$3.1 million due to the allocation of tax benefits from holding company losses pursuant to the Company's intercompany tax allocation agreement and a slight decrease due to the favorable impact of state tax planning on the composite tax rate.

OTHER NON-REGULATED ACTIVITIES

Investment in Affordable Housing Limited Partnerships - KLT Investments

KLT Investments Inc.'s (KLT Investments) net income in 2005 totaled \$5.7 million (including an after tax reduction of \$6.2 million in its affordable housing investment) compared to net income of \$11.2 million

in 2004 (including an after tax reduction of \$4.6 million in its affordable housing investment) and net income of \$8.1 million in 2003 (including an after tax reduction of \$6.7 million in its affordable housing investment).

On a quarterly basis, KLT Investments compares the cost of properties accounted for by the cost method to the total of projected residual value of the properties and remaining tax credits to be received. Based on the latest comparison, KLT Investments reduced its investments in affordable housing limited partnerships by \$10.0 million, \$7.5 million and \$11.0 million in 2005, 2004 and 2003, respectively. Pre-tax reductions in affordable housing investments are estimated to be \$1 million in 2006 and \$2 million in 2007. These projections are based on the latest information available but the ultimate amount and timing of actual reductions could be significantly different from the above estimates. The properties underlying the partnership investment are subject to certain risks inherent in real estate ownership and management. Even after these estimated reductions, net income from the investments in affordable housing is expected to be positive for 2006 through 2008.

KLT Investments accrued tax credits related to its investments in affordable housing limited partnerships of \$15.4 million, \$18.3 million and \$19.1 million in 2005, 2004 and 2003, respectively. Management estimates tax credits will be \$9 million, \$5 million and \$2 million for 2006 through 2008, respectively.

KLT Gas Discontinued Operations

Discontinued operations decreased net income \$9.2 million in 2005 compared to 2004 primarily due to a gain on the 2004 sale of the KLT Gas portfolio, partially offset by losses from the wind down operations and for an arbitration settlement in 2005. KLT Gas' discontinued operations loss in 2003 was \$36.1 million including impairments and operating losses. See Note 8 to the consolidated financial statements for additional information.

GREAT PLAINS ENERGY AND CONSOLIDATED KCP&L SIGNIFICANT BALANCE SHEET CHANGES (DECEMBER 31, 2005 COMPARED TO DECEMBER 31, 2004)

- Great Plains Energy's restricted cash and supplier collateral decreased \$5.8 million due to certain Strategic Energy suppliers posting letters of credit to satisfy collateral requirements rather than cash.
- Great Plains Energy's and consolidated KCP&L's fuel inventories decreased \$4.0 million primarily due to \$9.3 million in fewer coal deliveries resulting from railroad performance issues partially offset by an increase in coal due to physical inventory adjustments.
- Great Plains Energy's combined deferred income taxes – current assets and deferred income taxes – current liabilities changed from an asset of \$13.1 million at December 31, 2004, to a liability of \$1.3 million. The change in the fair value of Strategic Energy's energy-related derivative instruments increased the liability \$10.1 million. Consolidated KCP&L's deferred income taxes – current assets decreased \$3.9 million partially due to a lower nuclear fuel outage reserve resulting from the completion of the scheduled spring 2005 refueling. Consolidated KCP&L's deferred income taxes – current assets were reclassified to a current liability during consolidation with Great Plains Energy.
- Great Plains Energy's derivative instruments – current assets increased \$32.8 million primarily due to an increase in Strategic Energy's energy-related derivative instruments of \$33.2 million due to additional contract volume and an increase in fair value as a result of changes in forward market prices for power.
- Great Plains Energy's affordable housing limited partnerships decreased \$13.1 million due to reductions in the valuation of the properties held by KLT Investments.

- Great Plains Energy's other – nonutility property and investments decreased \$15.4 million primarily due to a \$2.3 million decrease related to the sale and write off of investments and a decrease at consolidated KCP&L. Consolidated KCP&L's other – nonutility property and investments decreased \$12.9 million primarily due to KCP&L receiving a return of its net investment from the Central Interstate Low Level Radioactive Waste Compact Commission.
- Great Plains Energy's and consolidated KCP&L's construction work in progress increased \$47.1 million due to \$25.3 million in contract payments related to wind generation and environmental equipment upgrades and normal construction activity.
- Great Plains Energy's and consolidated KCP&L's regulatory assets increased \$35.6 million primarily due to the regulatory accounting treatment for pension expense and the change in Wolf Creek depreciable life for Missouri regulatory purposes in accordance with MPSC and KCC orders. Additionally, adopting FASB Interpretation (FIN) No. 47, "Accounting for Conditional Asset Retirement Obligations" during 2005 increased regulatory assets \$13.2 million.
- Great Plains Energy's derivative instruments – deferred charges and other assets increased \$19.5 million primarily due to a \$20.2 million increase in Strategic Energy's energy-related derivative instruments due to additional contract volume and an increase in fair value as a result of changes in forward market prices for power.
- Great Plains Energy's other – deferred charges and other assets decreased \$8.6 million primarily due to IEC's amortization of \$15.0 million for the intangible assets related to the 2004 purchase of an additional indirect interest in Strategic Energy partially offset by consolidated KCP&L. Consolidated KCP&L's other – deferred charges and other assets increased \$7.0 million primarily due to a reclass from accrued taxes of an \$8.8 million income tax refund receivable that management expects to be delayed until the related IRS audit cycle can be completed.
- Great Plains Energy's and consolidated KCP&L's commercial paper increased \$31.9 million primarily due to \$25.3 million in contract payments related to wind generation and environmental equipment upgrades and timing of cash payments.
- Great Plains Energy's and consolidated KCP&L's accounts payable increased \$31.5 million and \$21.9 million, respectively, primarily due to timing of cash payments.
- Great Plains Energy's accrued taxes decreased \$9.9 million primarily due to the timing of tax payments and Strategic Energy's payment of accrued gross receipts taxes and the reversal of a reserve related to an audit settlement. Consolidated KCP&L's accrued taxes decreased \$7.0 million due to the timing of tax payments partially offset by an increase related to a reclass of an \$8.8 million income tax refund receivable to other deferred charges and other assets.
- Great Plains Energy's and consolidated KCP&L's ARO increased \$32.2 million primarily due to \$11.3 million related to revised decommissioning cost estimates for Wolf Creek, \$7.5 million of accretion and a \$15.4 million addition due to adopting FIN No. 47 during 2005.
- Great Plains Energy's and consolidated KCP&L's regulatory liabilities increased \$65.5 million primarily due to KCP&L's regulatory treatment of SO₂ emission allowance sales totaling \$61.0 million and \$4.3 million of additional Wolf Creek amortization for Missouri regulatory purposes. See Note 5 to the consolidated financial statements.
- Great Plains Energy's derivative instruments - deferred credits and other liabilities increased \$7.6 million primarily due to Strategic Energy's derivative instruments increasing \$5.0 million related to an increase in fair value as a result of changes in forward market prices for power. Consolidated KCP&L's derivative instruments - deferred credits and other liabilities increased

\$2.6 million due to a change in the fair value of KCP&L's interest rate swaps on its 1998 Series A, B and D EIRR bonds.

- Great Plains Energy's other - deferred credits and other liabilities decreased \$18.5 million primarily due to IEC's \$11.6 million amortization of the liability for the fair value of acquired retail contracts related to the 2004 purchase of an additional indirect interest in Strategic Energy. Consolidated KCP&L's other - deferred credits and other liabilities decreased \$4.4 million primarily due to KCP&L receiving a return of its net investment from the Central Interstate Low Level Radioactive Waste Compact Commission.
- Great Plains Energy's accumulated other comprehensive loss decreased \$33.3 million primarily due to the increase in fair value as a result of changes in forward market prices for power of Strategic Energy's energy-related cash flow hedges. Consolidated KCP&L's accumulated other comprehensive loss decreased \$10.4 million primarily due to the fair values of the Treasury Locks (T-Locks), which were entered into and settled during 2005. See Note 21 to the consolidated financial statements.
- Great Plains Energy's long-term debt increased \$184.4 million. Consolidated KCP&L's long-term debt increased \$186.1 million primarily due to a \$250.0 million issuance of senior notes and an \$85.9 million issuance of Series 2005 EIRR bonds partially offset by the \$145.3 million redemption of debt related to the buyout of the Combustion Turbine Synthetic Lease. EIRR bonds classified as current and current maturities decreased as a result of the repayment and remarketing of the respective bonds.

CAPITAL REQUIREMENTS AND LIQUIDITY

Great Plains Energy operates through its subsidiaries and has no material assets other than the stock of its subsidiaries. Great Plains Energy's ability to make payments on its debt securities and its ability to pay dividends is dependent on its receipt of dividends or other distributions from its subsidiaries and proceeds from the issuance of its securities.

Great Plains Energy's capital requirements are principally comprised of KCP&L's utility construction and other capital expenditures, debt maturities and credit support provided to Strategic Energy. These items as well as additional cash and capital requirements for the companies are discussed below.

Great Plains Energy's liquid resources at December 31, 2005, consisted of \$103.1 million of cash and cash equivalents on hand, including \$3.0 million at consolidated KCP&L, and \$739.7 million of unused bank lines of credit. The unused lines consisted of \$218.1 million from KCP&L's revolving credit facility, \$59.8 million from Strategic Energy's revolving credit facility and \$461.8 million from Great Plains Energy's revolving credit facility. See the Debt Agreements section below for more information on these agreements. At February 28, 2006, Great Plains Energy's and consolidated KCP&L's unused bank lines of credit had increased \$16.3 million and \$9.3 million, respectively, from the amounts at December 31, 2005.

KCP&L expects to meet day-to-day cash flow requirements including interest payments, construction requirements (excluding its comprehensive energy plan), dividends to Great Plains Energy and pension benefit plan funding requirements, discussed below, with internally generated funds. KCP&L might not be able to meet these requirements with internally generated funds because of the effect of inflation on operating expenses, the level of MWh sales, regulatory actions, compliance with future environmental regulations and the availability of generating units. The funds Great Plains Energy and consolidated KCP&L need to retire maturing debt will be provided from operations, the issuance of long and short-term debt and/or the issuance of equity or equity-linked instruments. In addition, the Company may issue debt, equity and/or equity-linked instruments to finance growth or take advantage of new opportunities.

KCP&L currently expects to fund its comprehensive energy plan from a combination of internal and external sources including, but not limited to, contributions from rate increases, capital contributions to KCP&L from Great Plains Energy's proceeds of new equity financing and 2004 FELINE PRIDESSM equity in 2007, new debt financing, and internally generated funds.

Strategic Energy expects to meet day-to-day cash flow requirements including interest payments, credit support fees, capital expenditures and dividends to its indirect interest holders with internally generated funds. Strategic Energy might not be able to meet these requirements with internally generated funds because of the effect of inflation on operating expenses, the level of MWh sales, seasonal working capital requirements, commodity-price volatility and the effects of counterparty non-performance.

Cash Flows from Operating Activities

Great Plains Energy and consolidated KCP&L generated positive cash flows from operating activities for the periods presented. Cash flows from operating activities for Great Plains Energy and consolidated KCP&L increased during 2005 compared to 2004 primarily due to KCP&L's sales of SO₂ emission allowances totaling \$61.0 million and KCP&L's \$12.0 million cash settlement on the T-Locks, discussed in significant financing activities. KCP&L's net income after consideration of non-cash items decreased primarily due to the decrease in operating income discussed in consolidated KCP&L's results of operations section. The timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel. Additionally, Great Plains Energy's cash flows from operating activities reflects a decrease in Strategic Energy's net income due to fewer MWhs delivered and a decline in average retail gross margin per MWh.

The decrease in cash flows from operating activities for Great Plains Energy in 2004 compared to 2003 was primarily due to the changes in working capital detailed in Note 2 to the consolidated financial statements. The individual components of working capital vary with normal business cycles and operations. In addition, the timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel. Consolidated KCP&L's cash flow from operating activities increased in 2004 compared to 2003 partially due to a \$26.1 million increase in net income and the changes in working capital detailed in Note 2 to the consolidated financial statements.

Cash Flows from Investing Activities

Great Plains Energy's and consolidated KCP&L's cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Investing activities are offset by the proceeds from the sale of properties and insurance recoveries.

Great Plains Energy's and consolidated KCP&L's utility capital expenditures increased \$136.7 million and \$141.6 million, respectively, during 2005 compared to 2004. KCP&L exercised its early termination option in the Combustion Turbine Synthetic Lease and subsequently paid \$154.0 million to purchase the leased property and made contract payments totaling \$25.3 million related to wind generation and environmental equipment upgrades. These payments were partially offset by the \$28.5 million buyout of KCP&L's operating lease for vehicles and heavy equipment in 2004. The increases in capital expenditures were partially offset by KCP&L's receipt of \$10.0 million for insurance recoveries related to Hawthorn No. 5 during 2005.

Great Plains Energy's and consolidated KCP&L's utility capital expenditures increased \$41.9 million in 2004 compared to 2003 primarily due to the \$28.5 million buyout of KCP&L's operating lease for vehicles and heavy equipment in 2004. Insurance recoveries and litigation settlements related to Hawthorn No. 5 in 2004 of \$31.9 million, a \$10.7 million increase over 2003 recoveries, offset cash used in investing activities. Additionally, Great Plains Energy paid \$90.0 million to acquire an additional indirect interest in Strategic Energy during 2004.

Cash Flows from Financing Activities

The changes in Great Plains Energy's and consolidated KCP&L's cash flows from financing activities in 2005 compared to 2004 and in 2004 compared to 2003 reflect KCP&L's retirement of \$54.5 million of its medium-term notes and its redemption of \$154.6 million of 8.3% Junior Subordinated Deferred Interest Bonds from KCPL Financing I during 2004. KCPL Financing I used those proceeds to redeem the \$4.6 million common securities held by KCP&L and the \$150.0 million of 8.3% Trust Preferred Securities. These 2004 financing activities at consolidated KCP&L were offset by \$225.0 million in equity contributions from Great Plains Energy. Great Plains Energy's 2004 financing activities reflect proceeds of \$150.0 million from the June 2004 issuance of 5.0 million shares of common stock at \$30 per share and proceeds of \$163.6 million from the issuance of 6.5 million FELINE PRIDES. Great Plains Energy used the proceeds to repay short-term borrowings and to fund the equity contributions to KCP&L. Fees related to these issuances were \$10.2 million. See Note 19 to the consolidated financial statements for additional information.

During 2005, KCP&L redeemed its secured 1994 series EIRR bonds totaling \$35.9 million by issuing secured EIRR Bonds Series 2005 also totaling \$35.9 million: \$14.0 million at a fixed rate of 4.05% until maturity at March 1, 2015, and \$21.9 million at a fixed rate of 4.65% until maturity at September 1, 2035. KCP&L also redeemed its unsecured Series C EIRR bonds totaling \$50.0 million by issuing unsecured EIRR Bonds Series 2005 also totaling \$50.0 million at a fixed rate of 4.65% until maturity at September 1, 2035. The previous interest rate periods on these two series, with interest rates of 2.25% and 2.38%, respectively, expired on August 31, 2005. Both of the redeemed series were classified as current liabilities at December 31, 2004. Both of the new EIRR Bonds Series 2005 are covered by municipal bond insurance policies issued by XL Capital Assurance Inc. (XLCA). The insurance agreements between KCP&L and XLCA provide for reimbursement by KCP&L for any amounts that XLCA pays under the municipal bond insurance policies. The insurance policies are in effect for the term of the bonds. The insurance agreements contain a covenant that the indebtedness to total capitalization ratio of KCP&L and its consolidated subsidiaries will not be greater than 0.68 to 1.00. At December 31, 2005, KCP&L was in compliance with this covenant. KCP&L is also restricted from issuing additional bonds under its General Mortgage Indenture if, after giving effect to such additional bonds, the proportion of secured debt to total indebtedness would be more than 75%, or more than 50% if the long term rating for such bonds by Standard & Poor's or Moody's Investors Service would be at or below A- or A3, respectively. The insurance agreement covering the unsecured EIRR Bond Series 2005 also requires KCP&L to provide XLCA with \$50 million of general mortgage bonds as collateral for KCP&L's obligations under the insurance agreement in the event KCP&L issues general mortgage bonds (other than refundings of outstanding general mortgage bonds) resulting in the aggregate amount of outstanding general mortgage bonds exceeding 10% of total capitalization. In the event of a default under the insurance agreements, XLCA may take any available legal or equitable action against KCP&L, including seeking specific performance of the covenants.

KCP&L had \$625.0 million of outstanding unsecured senior notes at December 31, 2005 and 2004. During 2005, KCP&L completed a private placement of \$250.0 million of 6.05% unsecured senior notes, maturing in 2035. The proceeds from the issuance were used to repay the 7.125% unsecured senior notes that matured in 2005. Pursuant to its obligations under a registration rights agreement entered into in connection with the private placement, KCP&L plans to file in 2006 an S-4 registration statement for the exchange of registered 6.05% unsecured senior notes for the \$250.0 million privately placed notes. The registered notes will carry the same terms and conditions as the privately placed issue without, except in limited circumstances, transfer restrictions and payment of additional interest provisions.

Significant Financing Activities

KCP&L's long-term financing activities are subject to the authorization of the MPSC. In November 2005, the MPSC authorized KCP&L to issue up to \$635 million of long-term debt and to enter into

interest rate hedging instruments in connection with such debt through December 31, 2009. Under stipulations with the MPSC and the KCC, Great Plains Energy and KCP&L maintain common equity at not less than 30% and 35%, respectively, of total capitalization.

In February 2006, FERC authorized KCP&L to issue up to \$300.0 million in outstanding short-term debt instruments through February 2008. The authorization is subject to four restrictions: (i) proceeds of debt backed by utility assets must be used for utility purposes; (ii) if any utility assets that secure authorized debt are divested or spun off, the debt must follow the assets and also be divested or spun off; (iii) if any proceeds of the authorized debt are used for non-utility purposes, the debt must follow the non-utility assets (specifically, if the non-utility assets are divested or spun off, then a proportionate share of the debt must follow the divested or spun off non-utility assets); and (iv) if utility assets financed by the authorized short-term debt are divested or spun off to another entity, a proportionate share of the debt must also be divested or spun off.

During the first quarter of 2006, KCP&L entered into a Forward Starting Swap with a notional principal amount of \$110 million to hedge interest rate volatility on the first \$110 million of the anticipated refinancing of KCP&L's \$225 million senior notes that mature in March 2007.

During 2005, KCP&L entered into two T-Locks to hedge against interest rate fluctuations on the U.S. Treasury rate component of the \$250.0 million 30-year long-term debt that KCP&L issued in 2005. The T-Locks settled simultaneously with the issuance of the long-term fixed rate debt and KCP&L received \$12.0 million in cash for the settlement. See Note 21 to the consolidated financial statements.

During 2005, KCP&L entered into a revolving agreement to sell all of its retail electric accounts receivable to Receivables Company, which sold an undivided percentage ownership interest in the accounts receivable to an outside investor. Receivables Company received \$70 million in cash from the outside investor, which was forwarded to KCP&L as consideration for its sale. KCP&L's accounts receivable agreement is an additional source of liquidity with an all-in borrowing cost generally equal to or lower than KCP&L's other sources of short-term borrowings including the revolving credit facility and commercial paper. See Note 3 to the consolidated financial statements for additional information.

Debt Agreements

Great Plains Energy has a \$550 million revolving credit facility with a group of banks that expires in December 2009. The facility contains a Material Adverse Change (MAC) clause that requires Great Plains Energy to represent, prior to receiving funding, that no MAC has occurred. The clause does, however, permit the Company to access the facility even in the event of a MAC in order to repay maturing commercial paper. Available liquidity under this facility is not impacted by a decline in credit ratings unless the downgrade results in a MAC or occurs in the context of a merger, consolidation or sale. A default by Great Plains Energy or any of its significant subsidiaries of other indebtedness totaling more than \$25.0 million is a default under the current facility. Under the terms of this agreement, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the agreement, not greater than 0.65 to 1.00 at all times. At December 31, 2005, the Company was in compliance with this covenant. At December 31, 2005, Great Plains Energy had \$6.0 million of outstanding borrowings with an interest rate of 4.98% and had issued letters of credit totaling \$38.5 million under the credit facility as credit support for Strategic Energy.

KCP&L has a \$250 million revolving credit facility with a group of banks that expires in December 2009 to provide support for its issuance of commercial paper and other general purposes. The facility contains a MAC clause that requires KCP&L to represent, prior to receiving funding, that no MAC has occurred. The clause does, however, permit KCP&L to access the facility even in the event of a MAC in order to repay maturing commercial paper. Available liquidity under this facility is not impacted by a

decline in credit ratings unless the downgrade results in a MAC or occurs in the context of a merger, consolidation or sale. A default by KCP&L on other indebtedness totaling more than \$25.0 million is a default under the current facility. Under the terms of the agreement, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the agreement, not greater than 0.65 to 1.00 at all times. At December 31, 2005, KCP&L was in compliance with this covenant. At December 31, 2005, KCP&L had \$31.9 million of commercial paper outstanding and no cash borrowings under the facility. The weighted-average interest rate of the commercial paper was 4.35%.

During 2005, Strategic Energy entered into an amendment to its \$125 million revolving credit facility with a group of banks. The amendment extends the expiration of the facility from June 2007 to June 2009 and increases the aggregate revolving loan commitment from \$125 million to \$135 million. So long as there is no default or unmatured default, Strategic Energy may increase this amount by up to \$15 million by increasing the commitment of one or more lenders that have agreed to such increase, or by adding one or more lenders with the consent of the administrative agent. Great Plains Energy has currently guaranteed \$25.0 million of this facility. The facility contains a MAC clause that requires Strategic Energy to represent, prior to receiving funding, that no MAC has occurred. A default by Strategic Energy of other indebtedness, as defined in the facility, totaling more than \$7.5 million is a default under the facility. Under the terms of this amended agreement, Strategic Energy is required to maintain a minimum net worth of \$75.0 million, a minimum fixed charge coverage ratio of at least 1.05 to 1.00 and a minimum debt service coverage ratio of at least 4.00 to 1.00, as those terms are defined in the agreement. In addition, under the terms of this amended agreement, Strategic Energy is required to maintain a maximum funded indebtedness to EBITDA ratio, as defined in the agreement, of 3.00 to 1.00, on a quarterly basis through June 30, 2007, and 2.75 to 1.00 thereafter. In the event of a breach of one or more of these four covenants, so long as no other default has occurred, Great Plains Energy may cure the breach through a cash infusion, a guarantee increase or a combination of the two. At December 31, 2005, Strategic Energy was in compliance with these covenants. At December 31, 2005, \$75.2 million in letters of credit had been issued and there were no cash borrowings under the agreement, leaving \$59.8 million of capacity available for loans and additional letters of credit.

Great Plains Energy has agreements with KLT Investments associated with notes KLT Investments issued to acquire its affordable housing investments. Great Plains Energy has agreed not to take certain actions including, but not limited to, merging, dissolving or causing the dissolution of KLT Investments, or withdrawing amounts from KLT Investments if the withdrawals would result in KLT Investments not being in compliance with minimum net worth and cash balance requirements. The agreements also give KLT Investments' lenders the right to have KLT Investments repurchase the notes if Great Plains Energy's senior debt rating falls below investment grade or if Great Plains Energy ceases to own at least 80% of KCP&L's stock. At December 31, 2005, KLT Investments had \$2.6 million in outstanding notes, including current maturities.

KCP&L Projected Utility Capital Expenditures

KCP&L's utility capital expenditures, excluding allowance for funds used to finance construction, were \$332.1 million, \$190.5 million and \$148.7 million in 2005, 2004 and 2003, respectively. Utility capital expenditures projected for the next three years, excluding allowance for funds used during construction, are detailed in the following table.

| | 2006 | 2007 | 2008 |
|---|------------|----------|----------|
| | (millions) | | |
| Generating facilities | | | |
| Iatan No. 2 ^(a) | \$ 30.7 | \$ 120.4 | \$ 274.5 |
| Wind generation ^(a) | 143.0 | - | - |
| Environmental ^(a) | 43.3 | 124.8 | 101.3 |
| Other | 49.3 | 53.1 | 53.9 |
| Total generating facilities | 266.3 | 298.3 | 429.7 |
| Distribution and transmission facilities | | | |
| Customer programs & asset management ^(a) | 5.6 | 9.1 | 14.9 |
| Other | 93.4 | 83.9 | 84.4 |
| Total distribution and transmission facilities | 99.0 | 93.0 | 99.3 |
| Nuclear fuel | 20.9 | 25.2 | 1.1 |
| General facilities | 30.6 | 20.5 | 11.8 |
| Total | \$ 416.8 | \$ 437.0 | \$ 541.9 |

^(a) Comprehensive energy plan

This utility capital expenditure plan is subject to continual review and change and includes utility capital expenditures related to KCP&L's comprehensive energy plan for environmental investments and new capacity. See Note 5 to the consolidated financial statements.

Pensions

The Company maintains defined benefit plans for substantially all employees of KCP&L, Services and WCNOG and incurs significant costs in providing the plans, with the majority incurred by KCP&L. At a minimum, plans are funded on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants consistent with the funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and further contributions may be made when deemed financially advantageous.

The Company contributed \$14.5 million to the plans in 2005, which included \$10.0 million of funding above the minimum ERISA funding requirements. In 2004, the Company contributed \$39.1 million to the plans, which included \$4.1 million for minimum ERISA funding requirements and \$35.0 million of additional funding. KCP&L contributed \$13.8 million and \$32.7 million of the contributions in 2005 and 2004, respectively.

The Company expects to contribute \$20.0 million to the plans in 2006, which includes \$6.0 million to meet ERISA funding requirements, all of which will be paid by KCP&L. Management believes the Company has adequate access to capital resources through cash flows from operations or through existing lines of credit to support the funding requirements. Participants in the plans may request a lump-sum cash payment upon termination of their employment. A change in payment assumptions could result in increased cash requirements from pension plan assets with the Company being required to accelerate future funding.

Legislative changes have been proposed that would alter the manner in which pension plan assets and liabilities are valued for purposes of calculating required pension contributions and change the timing

and manner in which required contributions to underfunded plans are made. If these proposals are adopted, the funding requirements could be significantly affected.

Under the terms of the pension plans, the Company reserves the right to amend or terminate the plans, and from time to time benefits have changed. See Note 9 to the consolidated financial statements for additional information.

Credit Ratings

At December 31, 2005, the major credit rating agencies rated the companies' securities as detailed in the following table.

| | Moody's Investors Service | Standard and Poor's |
|----------------------------|------------------------------|------------------------|
| Great Plains Energy | | |
| Outlook | Negative | Stable |
| Corporate Credit Rating | - | BBB |
| Preferred Stock | Ba1 | BB+ |
| Senior Unsecured Debt | Baa2 | BBB- |
| KCP&L | | |
| Outlook | Stable | Stable |
| Senior Secured Debt | A2 | BBB |
| Senior Unsecured Debt | A3 | BBB |
| Commercial Paper | P-2 | A-2 |

The ratings presented reflect the current views of these rating agencies and are subject to change. The companies view maintenance of strong credit ratings as being extremely important and to that end an active and ongoing dialogue is maintained with the agencies with respect to the companies' results of operations, financial position, and future prospects.

None of the companies' outstanding debt, except for the notes associated with affordable housing investments, requires the acceleration of interest and/or principal payments in the event of a ratings downgrade, unless the downgrade occurs in the context of a merger, consolidation or sale. In the event of a downgrade, the companies and/or their subsidiaries may be subject to increased interest costs on their credit facilities. Additionally, in KCP&L's bond insurance policies on its secured 1992 series EIRR bonds totaling \$31.0 million, its Series 1993A and 1993B EIRR bonds totaling \$79.5 million and its secured and unsecured EIRR Bonds Series 2005 totaling \$35.9 million and \$50.0 million, respectively, KCP&L has agreed to limits on its ability to issue additional mortgage bonds based on the mortgage bond's credit ratings. See Note 19 to the consolidated financial statements.

Strategic Energy Supplier Concentration and Credit

Strategic Energy enters into forward physical contracts with multiple suppliers. At December 31, 2005, Strategic Energy's five largest suppliers under forward supply contracts represented 76% of the total future dollar committed purchases. Four of Strategic Energy's five largest suppliers, or their guarantors, are rated investment grade; and the non-investment grade rated supplier collateralizes its position with Strategic Energy. In the event of supplier non-delivery or default, Strategic Energy's results of operations could be affected to the extent the cost of replacement power exceeded the combination of the contracted price with the supplier and the amount of collateral held by Strategic Energy to mitigate its credit risk with the supplier. In addition to the collateral, if any, that the supplier provides, Strategic Energy's risk may be further mitigated by the obligation of the supplier to make a default payment equal to the shortfall and to pay liquidated damages in the event of a failure to deliver power. There is no assurance that the supplier in such an instance would make the default payment

and/or pay liquidated damages. Strategic Energy's results of operations could also be affected, in a given period, if it were required to make a payment upon termination of a supplier contract to the extent the contracted price with the supplier exceeded the market value of the contract at the time of termination.

The following tables provide information on Strategic Energy's credit exposure to suppliers, net of collateral, as of December 31, 2005.

| Rating | Exposure Before Credit Collateral | Credit Collateral | Net Exposure | Number Of Counterparties Greater Than 10% Of Net Exposure | Net Exposure Of Counterparties Greater Than 10% of Net Exposure |
|------------------------|---|----------------------|-----------------|---|---|
| <i>External rating</i> | | (millions) | | | (millions) |
| Investment Grade | \$ 205.3 | \$ 88.5 | \$ 116.8 | 3 | \$ 84.5 |
| Non-Investment Grade | 37.3 | 31.2 | 6.1 | - | - |
| <i>Internal rating</i> | | | | | |
| Investment Grade | 3.0 | - | 3.0 | - | - |
| Non-Investment Grade | 9.7 | 5.7 | 4.0 | - | - |
| Total | \$ 255.3 | \$ 125.4 | \$ 129.9 | 3 | \$ 84.5 |

| Maturity Of Credit Risk Exposure Before Credit Collateral | | | |
|---|----------------------|---------------|-------------------|
| Rating | Less Than 2 Years | 2 - 5 Years | Total Exposure |
| <i>External rating</i> | | (millions) | |
| Investment Grade | \$ 205.9 | \$ (0.6) | \$ 205.3 |
| Non-Investment Grade | 30.9 | 6.4 | 37.3 |
| <i>Internal rating</i> | | | |
| Investment Grade | 2.9 | 0.1 | 3.0 |
| Non-Investment Grade | 7.8 | 1.9 | 9.7 |
| Total | \$ 247.5 | \$ 7.8 | \$ 255.3 |

External ratings are determined by using publicly available credit ratings of the counterparty. If a counterparty has provided a guarantee by a higher rated entity, the determination has been based on the rating of its guarantor. Internal ratings are determined by, among other things, an analysis of the counterparty's financial statements and consideration of publicly available credit ratings of the counterparty's parent. Investment grade counterparties are those with a minimum senior unsecured debt rating of BBB- from Standard & Poor's or Baa3 from Moody's Investors Service. Exposure before credit collateral has been calculated considering all netting agreements in place, netting accounts payable and receivable exposure with net mark-to-market exposure. Exposure before credit collateral, after consideration of all netting agreements, is impacted significantly by the power supply volume under contract with a given counterparty and the relationship between current market prices and contracted power supply prices. Credit collateral includes the amount of cash deposits and letters of credit received from counterparties. Net exposure has only been calculated for those counterparties to which Strategic Energy is exposed and excludes counterparties exposed to Strategic Energy.

In December 2005, Calpine Energy Services filed a motion in bankruptcy court seeking to reject a power sales agreement with Strategic Energy. A district court held that FERC, not the court, had jurisdiction over the agreement. The matter is currently pending at FERC. Strategic Energy has adequate supply in its existing portfolio to cover its position in the event the agreement is rejected and any rejection is not expected to materially affect its results of operations.

At December 31, 2005, Strategic Energy had exposure before collateral to non-investment grade counterparties totaling \$47.0 million, of which 82% is scheduled to mature in less than two years. In addition, Strategic Energy held collateral totaling \$36.9 million limiting its exposure to these non-investment grade counterparties to \$10.1 million.

Strategic Energy contracts with national and regional counterparties that have direct supplies and assets in the region of demand. Strategic Energy also manages its counterparty portfolio through disciplined margining, collateral requirements and contract-based netting of credit exposures against payable balances.

Supplemental Capital Requirements and Liquidity Information

The information in the following tables is provided to summarize cash obligations and commercial commitments.

Great Plains Energy Contractual Obligations

| Payment due by period | 2006 | 2007 | 2008 | 2009 | 2010 | After 2010 | Total |
|-------------------------------|----------|----------|----------|------------|----------|------------|------------|
| Long-term debt | | | | (millions) | | | |
| Principal | \$ 1.7 | \$ 226.1 | \$ 0.3 | \$ 163.6 | \$ - | \$ 755.3 | \$ 1,147.0 |
| Interest | 67.4 | 51.2 | 47.6 | 47.6 | 47.6 | 541.1 | 802.5 |
| Lease obligations | 17.1 | 15.4 | 14.9 | 10.7 | 8.4 | 91.0 | 157.5 |
| Pension plans | 20.0 | - | - | - | - | - | 20.0 |
| Purchase obligations | | | | | | | |
| Fuel | 107.9 | 99.9 | 91.5 | 46.0 | 32.3 | 37.7 | 415.3 |
| Purchased capacity | 5.4 | 6.8 | 7.8 | 8.2 | 5.4 | 18.6 | 52.2 |
| Purchased power | 423.4 | 135.6 | 46.4 | 21.8 | 18.0 | - | 645.2 |
| Other | 33.6 | 5.6 | 2.9 | - | - | - | 42.1 |
| Total contractual obligations | \$ 676.5 | \$ 540.6 | \$ 211.4 | \$ 297.9 | \$ 111.7 | \$ 1,443.7 | \$ 3,281.8 |

Consolidated KCP&L Contractual Obligations

| Payment due by period | 2006 | 2007 | 2008 | 2009 | 2010 | After 2010 | Total |
|-------------------------------|----------|----------|----------|------------|---------|------------|------------|
| Long-term debt | | | | (millions) | | | |
| Principal | \$ - | \$ 225.5 | \$ - | \$ - | \$ - | \$ 755.3 | \$ 980.8 |
| Interest | 54.2 | 43.4 | 40.6 | 40.6 | 40.6 | 541.1 | 760.5 |
| Lease obligations | 15.9 | 14.4 | 14.0 | 10.5 | 8.4 | 91.0 | 154.2 |
| Pension plans | 20.0 | - | - | - | - | - | 20.0 |
| Purchase obligations | | | | | | | |
| Fuel | 107.9 | 99.9 | 91.5 | 46.0 | 32.3 | 37.7 | 415.3 |
| Purchased capacity | 5.4 | 6.8 | 7.8 | 8.2 | 5.4 | 18.6 | 52.2 |
| Other | 33.6 | 5.6 | 2.9 | - | - | - | 42.1 |
| Total contractual obligations | \$ 237.0 | \$ 395.6 | \$ 156.8 | \$ 105.3 | \$ 86.7 | \$ 1,443.7 | \$ 2,425.1 |

Long-term debt includes current maturities. Long-term debt principal excludes \$1.8 million discount on senior notes and the \$2.6 million liability for the fair value adjustment to the EIRR bonds related to interest rate swaps. FELINE PRIDES senior notes totaling \$163.6 million mature in 2009, but must be remarketed between August 16, 2006 and February 16, 2007. Variable rate interest obligations are based on rates as of December 31, 2005. See Note 19 to the consolidated financial statements for additional information.

Lease obligations include capital and operating lease obligations; capital lease obligations are \$0.2 million per year for the years 2006 through 2010 and total \$3.9 million after 2010. Lease obligations also include railcars to serve jointly-owned generating units where KCP&L is the managing partner.

KCP&L will be reimbursed by the other owners for approximately \$2.0 million per year (\$22.7 million total) of the amounts included in the table above. See Note 13 to the consolidated financial statements for additional information regarding contractual commitments.

The Company expects to contribute \$20.0 million to the plans in 2006, which includes \$6.0 million to meet ERISA funding requirements, all of which will be paid by KCP&L. Minimum ERISA funding requirements for future periods after 2006 are not yet known.

Fuel represents KCP&L's 47% share of Wolf Creek nuclear fuel commitments, KCP&L's share of coal purchase commitments based on estimated prices to supply coal for generating plants and KCP&L's share of rail transportation commitments for moving coal to KCP&L's generating units.

KCP&L purchases capacity from other utilities and nonutility suppliers. Purchasing capacity provides the option to purchase energy if needed or when market prices are favorable. KCP&L has capacity sales agreements not included above that total \$11.4 million for 2006, \$11.2 million per year for 2007 through 2010 and \$12.3 million after 2010.

Purchased power represents Strategic Energy's agreements to purchase electricity at various fixed prices to meet estimated supply requirements. Strategic Energy has firm energy sales contracts not included above for 2006 and 2007 totaling \$41.1 million and \$4.2 million, respectively.

Other purchase obligations represent individual commitments entered into in the ordinary course of business.

Strategic Energy has entered into financial swaps in certain markets to limit the unfavorable effect that future price increases will have on future electricity purchases. These financial swaps settle during the same period as power flows to the retail customer and could result in a cash obligation or a cash receipt. Due to the uncertainty of the future cash flows, these financial swaps have been omitted from the table above.

Great Plains Energy and consolidated KCP&L have long-term liabilities recorded on their consolidated balance sheets at December 31, 2005, under GAAP that do not have a definitive cash payout date and are not included in the table above.

Off-Balance Sheet Arrangements

In the normal course of business, Great Plains Energy and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended business purposes. The information in the following table is provided to summarize these agreements.

Other Commercial Commitments Outstanding

| | Amount of commitment expiration per period | | | | | | Total |
|--------------------------------|--|--------|--------|--------|------|------------|----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | After 2010 | |
| | (millions) | | | | | | |
| Great Plains Energy Guarantees | \$ 123.0 | \$ 1.0 | \$ 1.0 | \$ 0.9 | \$ - | \$ - | \$ 125.9 |
| Consolidated KCP&L Guarantees | 1.0 | 1.0 | 1.0 | 0.9 | - | - | 3.9 |

KCP&L is contingently liable for guaranteed energy savings under an agreement with a customer, guaranteeing an aggregate value of approximately \$3.9 million over the next four years. A subcontractor would indemnify KCP&L for any payments made by KCP&L under this guarantee. Great Plains Energy has provided \$122.0 million of guarantees to support certain Strategic Energy power purchases and regulatory requirements. At December 31, 2005, guarantees related to Strategic Energy are as follows:

- Great Plains Energy direct guarantees to counterparties totaling \$58.0 million, which expire in 2006,
- Great Plains Energy provides indemnifications to the issuers of surety bonds totaling \$0.5 million, which expire in 2006,
- Great Plains Energy guarantees related to letters of credit totaling \$25.0 million, which expire in 2006 and
- Great Plains Energy letters of credit totaling \$38.5 million.

The table above does not include guarantees related to bond insurance policies that KCP&L has as a credit enhancement to its secured 1992 series EIRR bonds totaling \$31.0 million, its Series 1993A and 1993B EIRR bonds totaling \$79.5 million and EIRR Bond Series 2005 totaling \$85.9 million. The insurance agreement between KCP&L and the issuer of the bond insurance policies provides for reimbursement by KCP&L for any amounts the insurer pays under the bond insurance policies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, Great Plains Energy and consolidated KCP&L face risks that are either non-financial or non-quantifiable. Such risks principally include business, legal, operations and credit risks and are not represented in the following analysis. See Item 1A. Risk Factors and Item. 7 MD&A for further discussion of the companies' risk factors.

Great Plains Energy and consolidated KCP&L are exposed to market risks associated with commodity price and supply, interest rates and equity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects the volatility of the markets may have on its operating results. During the normal course of business, under the direction and control of internal risk management committees, the companies' hedging strategies are reviewed to determine the hedging approach deemed appropriate based upon the circumstances of each situation. Though management believes its risk management practices to be effective, it is not possible to identify and eliminate all risk. The companies could experience losses, which could have a material adverse effect on its results of operations or financial position, due to many factors, including unexpectedly large or rapid movements or disruptions in the energy markets, from regulatory-driven market rule changes and/or bankruptcy or non-performance of customers or counterparties.

Derivative instruments are frequently utilized to execute risk management and hedging strategies. Derivative instruments, such as futures, forward contracts, swaps or options, derive their value from underlying assets, indices, reference rates or a combination of these factors. These derivative instruments include negotiated contracts, which are referred to as over-the-counter derivatives and instruments listed and traded on an exchange. The companies maintain commodity-price risk management strategies that use derivative instruments to minimize significant, unanticipated net income fluctuations caused by commodity price volatility.

Interest Rate Risk

Great Plains Energy and consolidated KCP&L manage interest expense and short and long-term liquidity through a combination of fixed and variable rate debt. Generally, the amount of each type of debt is managed through market issuance, but interest rate swap and cap agreements with highly rated financial institutions may be used to achieve the desired combination. Using outstanding balances and annualized interest rates as of December 31, 2005, a hypothetical 10% increase in the interest rates associated with long-term variable rate debt would result in an increase of less than \$1.1 million in interest expense for 2006. Additionally, interest rates impact the fair value of long-term debt. Also, KCP&L had \$31.9 million of commercial paper outstanding at December 31, 2005. The principal amount, which will vary during the year, of the commercial paper will drive KCP&L's commercial paper interest expense. Assuming that \$31.9 million of commercial paper was outstanding for all of 2006, a hypothetical 10% increase in commercial paper rates would result in an increase of less than \$0.2 million in interest expense for 2006. A change in interest rates would impact the Company to the extent it redeemed any of its outstanding long-term debt. Great Plains Energy's and consolidated KCP&L's book values of long-term debt were 1% below fair values at December 31, 2005.

Commodity Risk

KCP&L and Strategic Energy engage in the wholesale and retail marketing of electricity and are exposed to risk associated with the price of electricity.

KCP&L's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity and long, intermediate and short-term capacity or power purchase agreements. The agreements contain penalties for non-performance to limit KCP&L's energy price risk on the contracted energy. KCP&L also enters into additional power purchase agreements with the objective of obtaining the most economical energy to meet its physical delivery obligations to customers. KCP&L is required to maintain a capacity margin of at least 12% of its peak summer demand. This net positive supply of capacity and energy is maintained through its generation assets and capacity and power purchase agreements to protect it from the potential operational failure of one of its power generating units. KCP&L continually evaluates the need for additional risk mitigation measures in order to minimize its financial exposure to, among other things, spikes in wholesale power prices during periods of high demand.

KCP&L's sales include the sales of electricity to its retail customers and bulk power sales of electricity in the wholesale market. KCP&L continually evaluates its system requirements, the availability of generating units, availability and cost of fuel supply, the availability and cost of purchased power and the requirements of other electric systems; therefore, the impact of the hypothetical amounts that follow could be significantly reduced depending on the system requirements and market prices at the time of the increases. A hypothetical 10% increase in the market price of power could result in a \$5.3 million decrease in operating income for 2006 related to purchased power. In 2006, approximately 77% of KCP&L's net MWhs generated are expected to be coal-fired. KCP&L currently has all of its coal requirements for 2006 under contract. A hypothetical 10% increase in the market price of coal could result in less than a \$1.0 million increase in fuel expense for 2006. KCP&L has also implemented price risk mitigation measures to reduce its exposure to high natural gas prices. A hypothetical 10% increase in natural gas and oil market prices could result in an increase of \$2.4 million in fuel expense for 2006. At December 31, 2005, KCP&L did not have any of its 2006 projected natural gas usage for generation requirements to serve retail load and firm MWh sales hedged. KCP&L had slightly under half of its 2005 projected natural gas usage for generation requirements to serve retail load and firm MWh sales hedged at December 31, 2004.

Strategic Energy maintains a commodity-price risk management strategy that uses derivative instruments including forward physical energy purchases, to minimize significant, unanticipated net income fluctuations caused by commodity-price volatility. In certain markets where Strategic Energy

operates, entering into forward fixed price contracts is cost prohibitive. Financial derivative instruments, including swaps, are used to limit the unfavorable effect that price increases will have on electricity purchases, effectively fixing the future purchase price of electricity for the applicable forecasted usage and protecting Strategic Energy from significant price volatility. A hypothetical 10% increase in the cost of purchased power could result in less than \$2.2 million increase in purchased power expense for 2006.

Strategic Energy has historically utilized certain derivative instruments to protect against significant price volatility for purchased power that have qualified for the NPNS exception, in accordance with SFAS No. 133, as amended. However, as certain markets continue to develop, some derivative instruments may no longer qualify for the NPNS exception. As such, Strategic Energy is designating these derivative instruments as cash flow hedges, where appropriate, which could result in future increased volatility in derivative assets and liabilities, OCI and net income above levels historically experienced. Derivative instruments that were designated as NPNS are accounted for by accrual accounting, which requires the effects of the derivative to be recorded when the derivative contract settles. Accordingly, the increase in derivatives accounted for as cash flow hedges, and the corresponding decrease in derivatives accounted for as NPNS transactions, may affect the timing and nature of accounting recognition, but does not change the underlying economics of the transactions.

Investment Risk

KCP&L maintains trust funds, as required by the NRC, to fund its share of decommissioning the Wolf Creek nuclear power plant. As of December 31, 2005, these funds were invested primarily in domestic equity securities and fixed income securities and are reflected at fair value on KCP&L's balance sheets. The mix of securities is designed to provide returns to be used to fund decommissioning and to compensate for inflationary increases in decommissioning costs; however, the equity securities in the trusts are exposed to price fluctuations in equity markets and the value of fixed rate fixed income securities are exposed to changes in interest rates. A hypothetical increase in interest rates resulting in a hypothetical 10% decrease in the value of the fixed income securities would have resulted in a \$4.2 million reduction in the value of the decommissioning trust funds at December 31, 2005. A hypothetical 10% decrease in equity prices would have resulted in a \$4.4 million reduction in the fair value of the equity securities at December 31, 2005. KCP&L's exposure to investment risk associated with the decommissioning trust funds is in large part mitigated due to the fact that KCP&L is currently allowed to recover its decommissioning costs in its rates.

KLT Investments has affordable housing notes that require the greater of 15% of the outstanding note balances or the next annual installment to be held as cash, cash equivalents or marketable securities. A hypothetical 10% decrease in market prices of the securities held as collateral could result in a decrease of less than \$1.0 million in pre-tax net income for 2006.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

GREAT PLAINS ENERGY Consolidated Statements of Income

| Year Ended December 31 | 2005 | 2004 | 2003 |
|---|---------------------------------------|--------------|--------------|
| Operating Revenues | (thousands, except per share amounts) | | |
| Electric revenues - KCP&L | \$ 1,130,792 | \$ 1,090,067 | \$ 1,054,900 |
| Electric revenues - Strategic Energy | 1,471,490 | 1,370,760 | 1,089,663 |
| Other revenues | 2,600 | 3,191 | 3,482 |
| Total | 2,604,882 | 2,464,018 | 2,148,045 |
| Operating Expenses | | | |
| Fuel | 207,875 | 179,362 | 160,327 |
| Purchased power - KCP&L | 61,263 | 52,533 | 53,163 |
| Purchased power - Strategic Energy | 1,368,419 | 1,247,522 | 968,967 |
| Other | 327,749 | 324,237 | 295,383 |
| Maintenance | 90,350 | 83,603 | 85,416 |
| Depreciation and amortization | 153,080 | 150,071 | 142,763 |
| General taxes | 109,436 | 102,756 | 98,461 |
| (Gain) loss on property | 3,544 | 5,133 | (23,703) |
| Total | 2,321,716 | 2,145,217 | 1,780,777 |
| Operating income | 283,166 | 318,801 | 367,268 |
| Non-operating income | 19,505 | 6,799 | 7,414 |
| Non-operating expenses | (16,745) | (15,184) | (20,462) |
| Interest charges | (73,787) | (83,030) | (76,171) |
| Income from continuing operations before income taxes, minority interest in subsidiaries and loss from equity investments | 212,139 | 227,386 | 278,049 |
| Income taxes | (39,691) | (54,451) | (78,565) |
| Minority interest in subsidiaries | (7,805) | 2,131 | (7,764) |
| Loss from equity investments, net of income taxes | (434) | (1,531) | (2,018) |
| Income from continuing operations | 164,209 | 173,535 | 189,702 |
| Discontinued operations, net of income taxes (Note 8) | (1,899) | 7,276 | (44,779) |
| Net income | 162,310 | 180,811 | 144,923 |
| Preferred stock dividend requirements | 1,646 | 1,646 | 1,646 |
| Earnings available for common shareholders | \$ 160,664 | \$ 179,165 | \$ 143,277 |
| Average number of common shares outstanding | 74,597 | 72,028 | 69,206 |
| Basic and diluted earnings (loss) per common share | | | |
| Continuing operations | \$ 2.18 | \$ 2.39 | \$ 2.72 |
| Discontinued operations | (0.03) | 0.10 | (0.65) |
| Basic and diluted earnings per common share | \$ 2.15 | \$ 2.49 | \$ 2.07 |
| Cash dividends per common share | \$ 1.66 | \$ 1.66 | \$ 1.66 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY
Consolidated Balance Sheets

| | December 31 | |
|--|--------------|--------------|
| | 2005 | 2004 |
| ASSETS | (thousands) | |
| Current Assets | | |
| Cash and cash equivalents | \$ 103,068 | \$ 127,129 |
| Restricted cash | 1,900 | 7,700 |
| Receivables, net | 259,043 | 247,184 |
| Fuel inventories, at average cost | 17,073 | 21,121 |
| Materials and supplies, at average cost | 57,017 | 54,432 |
| Deferred income taxes | - | 13,065 |
| Assets of discontinued operations | 627 | 749 |
| Derivative instruments | 39,189 | 6,372 |
| Other | 13,001 | 14,485 |
| Total | 490,918 | 492,237 |
| Nonutility Property and Investments | | |
| Affordable housing limited partnerships | 28,214 | 41,317 |
| Nuclear decommissioning trust fund | 91,802 | 84,148 |
| Other | 17,291 | 32,739 |
| Total | 137,307 | 158,204 |
| Utility Plant, at Original Cost | | |
| Electric | 4,959,539 | 4,841,355 |
| Less-accumulated depreciation | 2,322,813 | 2,196,835 |
| Net utility plant in service | 2,636,726 | 2,644,520 |
| Construction work in progress | 100,952 | 53,821 |
| Nuclear fuel, net of amortization of \$115,240 and \$127,631 | 27,966 | 36,109 |
| Total | 2,765,644 | 2,734,450 |
| Deferred Charges and Other Assets | | |
| Regulatory assets | 179,922 | 144,345 |
| Prepaid pension costs | 98,295 | 119,811 |
| Goodwill | 87,624 | 86,767 |
| Derivative instruments | 21,812 | 2,275 |
| Other | 52,204 | 60,812 |
| Total | 439,857 | 414,010 |
| Total | \$ 3,833,726 | \$ 3,798,901 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY
Consolidated Balance Sheets

| | December 31 | |
|--|--------------|--------------|
| | 2005 | 2004 |
| LIABILITIES AND CAPITALIZATION | (thousands) | |
| Current Liabilities | | |
| Notes payable | \$ 6,000 | \$ 20,000 |
| Commercial paper | 31,900 | - |
| Current maturities of long-term debt | 1,675 | 253,230 |
| EIRR bonds classified as current | - | 85,922 |
| Accounts payable | 231,496 | 199,952 |
| Accrued taxes | 37,140 | 46,993 |
| Accrued interest | 13,329 | 11,598 |
| Accrued payroll and vacations | 36,024 | 32,462 |
| Accrued refueling outage costs | 8,974 | 13,180 |
| Deferred income taxes | 1,351 | - |
| Supplier collateral | 1,900 | 7,700 |
| Liabilities of discontinued operations | 64 | 2,129 |
| Derivative instruments | 7,411 | 2,434 |
| Other | 25,658 | 22,497 |
| Total | 402,922 | 698,097 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 621,359 | 632,160 |
| Deferred investment tax credits | 29,698 | 33,587 |
| Asset retirement obligations | 145,907 | 113,674 |
| Pension liability | 87,355 | 95,805 |
| Regulatory liabilities | 69,641 | 4,101 |
| Derivative instruments | 7,750 | 112 |
| Other | 65,787 | 84,311 |
| Total | 1,027,497 | 963,750 |
| Capitalization | | |
| Common shareholders' equity | | |
| Common stock-150,000,000 shares authorized without par value | | |
| 74,783,824 and 74,394,423 shares issued, stated value | 777,216 | 765,482 |
| Unearned compensation | (2,088) | (1,393) |
| Capital stock premium and expense | (30,671) | (32,112) |
| Retained earnings | 488,001 | 451,491 |
| Treasury stock-43,376 and 28,488 shares, at cost | (1,304) | (856) |
| Accumulated other comprehensive loss | (7,727) | (41,018) |
| Total | 1,223,427 | 1,141,594 |
| Cumulative preferred stock \$100 par value | | |
| 3.80% - 100,000 shares issued | 10,000 | 10,000 |
| 4.50% - 100,000 shares issued | 10,000 | 10,000 |
| 4.20% - 70,000 shares issued | 7,000 | 7,000 |
| 4.35% - 120,000 shares issued | 12,000 | 12,000 |
| Total | 39,000 | 39,000 |
| Long-term debt (Note 19) | 1,140,880 | 956,460 |
| Total | 2,403,307 | 2,137,054 |
| Commitments and Contingencies (Note 13) | | |
| Total | \$ 3,833,726 | \$ 3,798,901 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY
Consolidated Statements of Cash Flows

| Year Ended December 31 | 2005 | Revised 2004 | Revised 2003 |
|---|-------------------|-------------------------|-------------------------|
| Cash Flows from Operating Activities | | (thousands) | |
| Net income | \$ 162,310 | \$ 180,811 | \$ 144,923 |
| Adjustments to reconcile income to net cash from operating activities: | | | |
| Depreciation and amortization | 153,080 | 150,090 | 143,712 |
| Amortization of: | | | |
| Nuclear fuel | 13,374 | 14,159 | 12,334 |
| Other | 10,580 | 11,827 | 11,626 |
| Deferred income taxes, net | (23,021) | 30,319 | 17,058 |
| Investment tax credit amortization | (3,889) | (3,984) | (3,994) |
| Loss from equity investments | 434 | 1,531 | 2,018 |
| (Gain) loss on property | 3,295 | (9,686) | 30,797 |
| Minority interest in subsidiaries | 7,805 | (2,131) | 7,764 |
| Other operating activities (Note 2) | 92,923 | (18,866) | 20,857 |
| Net cash from operating activities | 416,891 | 354,070 | 387,095 |
| Cash Flows from Investing Activities | | | |
| Utility capital expenditures | (327,283) | (190,548) | (148,675) |
| Allowance for borrowed funds used during construction | (1,598) | (1,498) | (1,368) |
| Purchases of investments | (14,976) | (35,003) | - |
| Purchases of nonutility property | (6,853) | (6,108) | (22,746) |
| Proceeds from sale of assets and investments | 17,369 | 67,457 | 33,277 |
| Purchases of nuclear decommissioning trust investments | (34,607) | (49,720) | (111,699) |
| Proceeds from nuclear decommissioning trust investments | 31,055 | 46,167 | 108,179 |
| Purchase of additional indirect interest in Strategic Energy | - | (90,033) | - |
| Hawthorn No. 5 partial insurance recovery | 10,000 | 30,810 | 3,940 |
| Hawthorn No. 5 partial litigation settlements | - | 1,139 | 17,263 |
| Other investing activities | (930) | (7,081) | (1,220) |
| Net cash from investing activities | (327,823) | (234,418) | (123,049) |
| Cash Flows from Financing Activities | | | |
| Issuance of common stock | 9,061 | 153,662 | - |
| Issuance of long-term debt | 334,417 | 163,600 | - |
| Issuance fees | (4,522) | (14,496) | (266) |
| Repayment of long-term debt | (339,152) | (213,943) | (133,181) |
| Net change in short-term borrowings | 17,900 | (67,000) | 42,320 |
| Dividends paid | (125,484) | (120,806) | (116,527) |
| Other financing activities | (5,975) | (7,309) | (7,598) |
| Net cash from financing activities | (113,755) | (106,292) | (215,252) |
| Net Change in Cash and Cash Equivalents | (24,687) | 13,360 | 48,794 |
| Less: Net Change in Cash and Cash Equivalents from Discontinued Operations | (626) | 458 | 73 |
| Cash and Cash Equivalents at Beginning of Year | 127,129 | 114,227 | 65,506 |
| Cash and Cash Equivalents at End of Year | \$ 103,068 | \$ 127,129 | \$ 114,227 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY
Consolidated Statements of Common Shareholders' Equity

| | 2005 | | 2004 | | 2003 | |
|---|-----------------------------------|---------------------|------------|---------------------|------------|-------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| | (thousands, except share amounts) | | | | | |
| Common Stock | | | | | | |
| Beginning balance | 74,394,423 | \$ 765,482 | 69,259,203 | \$ 611,424 | 69,196,322 | \$ 609,497 |
| Issuance of common stock | 313,026 | 9,400 | 5,121,887 | 153,662 | - | - |
| Issuance of restricted common stock | 76,375 | 2,334 | 13,333 | 396 | 62,881 | 1,927 |
| Ending balance | 74,783,824 | 777,216 | 74,394,423 | 765,482 | 69,259,203 | 611,424 |
| Unearned Compensation | | | | | | |
| Beginning balance | | (1,393) | | (1,633) | | - |
| Issuance of restricted common stock | | (2,434) | | (396) | | (1,927) |
| Forfeiture of restricted common stock | | 324 | | - | | - |
| Compensation expense recognized | | 1,415 | | 636 | | 294 |
| Ending balance | | (2,088) | | (1,393) | | (1,633) |
| Capital Stock Premium and Expense | | | | | | |
| Beginning balance | | (32,112) | | (7,240) | | (7,744) |
| Issuance of common stock | | - | | (5,434) | | - |
| Equity compensation expense | | 1,394 | | 181 | | 443 |
| FELINE PRIDES SM purchase contract | | - | | (19,603) | | - |
| adjustment, allocated fees and expenses | | - | | (16) | | 61 |
| Other | | 47 | | (16) | | 61 |
| Ending balance | | (30,671) | | (32,112) | | (7,240) |
| Retained Earnings | | | | | | |
| Beginning balance | | 451,491 | | 391,750 | | 363,579 |
| Net income | | 162,310 | | 180,811 | | 144,923 |
| Loss on reissuance of treasury stock | | - | | (193) | | - |
| Dividends: | | | | | | |
| Common stock | | (123,838) | | (119,160) | | (114,881) |
| Preferred stock - at required rates | | (1,646) | | (1,646) | | (1,646) |
| Performance shares | | (260) | | - | | - |
| Options | | (56) | | (71) | | (225) |
| Ending balance | | 488,001 | | 451,491 | | 391,750 |
| Treasury Stock | | | | | | |
| Beginning balance | (28,488) | (856) | (3,265) | (121) | (152) | (4) |
| Treasury shares acquired | (18,385) | (553) | (54,683) | (1,645) | (85,000) | (2,332) |
| Treasury shares reissued | 3,497 | 105 | 29,460 | 910 | 81,887 | 2,215 |
| Ending balance | (43,376) | (1,304) | (28,488) | (856) | (3,265) | (121) |
| Accumulated Other Comprehensive Loss | | | | | | |
| Beginning balance | | (41,018) | | (36,886) | | (25,858) |
| Derivative hedging activity, net of tax | | 28,397 | | 931 | | (598) |
| Minimum pension obligation, net of tax | | 4,894 | | (5,063) | | (10,430) |
| Ending balance | | (7,727) | | (41,018) | | (36,886) |
| Total Common Shareholders' Equity | | \$ 1,223,427 | | \$ 1,141,594 | | \$ 957,294 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY
Consolidated Statements of Comprehensive Income

| Year Ended December 31 | 2005 | 2004 | 2003 |
|--|-------------|-------------|-------------|
| | | (thousands) | |
| Net income | \$ 162,310 | \$ 180,811 | \$ 144,923 |
| Other comprehensive income | | | |
| Gain on derivative hedging instruments | 84,070 | 2,649 | 7,712 |
| Income taxes | (34,718) | (1,126) | (3,359) |
| Net gain on derivative hedging instruments | 49,352 | 1,523 | 4,353 |
| Reclassification to expenses, net of tax | (20,955) | (592) | (4,951) |
| Derivative hedging activity, net of tax | 28,397 | 931 | (598) |
| Change in minimum pension obligation | 8,722 | (7,624) | (17,100) |
| Income taxes | (3,828) | 2,561 | 6,670 |
| Net change in minimum pension obligation | 4,894 | (5,063) | (10,430) |
| Comprehensive income | \$ 195,601 | \$ 176,679 | \$ 133,895 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

| Year Ended December 31 | 2005 | 2004 | 2003 |
|--|--------------|--------------|--------------|
| | | (thousands) | |
| Operating Revenues | | | |
| Electric revenues | \$ 1,130,792 | \$ 1,090,067 | \$ 1,054,900 |
| Other revenues | 113 | 1,568 | 2,101 |
| Total | 1,130,905 | 1,091,635 | 1,057,001 |
| Operating Expenses | | | |
| Fuel | 207,875 | 179,362 | 160,327 |
| Purchased power | 61,263 | 52,533 | 53,163 |
| Other | 265,707 | 259,699 | 241,701 |
| Maintenance | 90,321 | 83,535 | 85,391 |
| Depreciation and amortization | 146,610 | 145,246 | 140,955 |
| General taxes | 104,823 | 98,984 | 95,590 |
| (Gain) loss on property | 4,613 | 5,133 | (1,603) |
| Total | 881,212 | 824,492 | 775,524 |
| Operating income | 249,693 | 267,143 | 281,477 |
| Non-operating income | 16,104 | 5,402 | 5,251 |
| Non-operating expenses | (4,281) | (7,407) | (8,280) |
| Interest charges | (61,841) | (74,170) | (70,294) |
| Income from continuing operations before income taxes and minority interest in subsidiaries | 199,675 | 190,968 | 208,154 |
| Income taxes | (48,213) | (52,763) | (83,572) |
| Minority interest in subsidiaries | (7,805) | 5,087 | 1,263 |
| Income from continuing operations | 143,657 | 143,292 | 125,845 |
| Discontinued operations, net of income taxes (Note 8) | - | - | (8,690) |
| Net income | \$ 143,657 | \$ 143,292 | \$ 117,155 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Balance Sheets

| | December 31 | |
|--|---------------------|---------------------|
| | 2005 | 2004 |
| ASSETS | (thousands) | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,961 | \$ 51,619 |
| Receivables, net | 70,264 | 63,366 |
| Fuel inventories, at average cost | 17,073 | 21,121 |
| Materials and supplies, at average cost | 57,017 | 54,432 |
| Deferred income taxes | 8,944 | 12,818 |
| Prepaid expenses | 11,292 | 12,511 |
| Derivative instruments | - | 363 |
| Total | 167,551 | 216,230 |
| Nonutility Property and Investments | | |
| Nuclear decommissioning trust fund | 91,802 | 84,148 |
| Other | 7,694 | 20,576 |
| Total | 99,496 | 104,724 |
| Utility Plant, at Original Cost | | |
| Electric | 4,959,539 | 4,841,355 |
| Less-accumulated depreciation | 2,322,813 | 2,196,835 |
| Net utility plant in service | 2,636,726 | 2,644,520 |
| Construction work in progress | 100,952 | 53,821 |
| Nuclear fuel, net of amortization of \$115,240 and \$127,631 | 27,966 | 36,109 |
| Total | 2,765,644 | 2,734,450 |
| Deferred Charges and Other Assets | | |
| Regulatory assets | 179,922 | 144,345 |
| Prepaid pension costs | 98,002 | 116,024 |
| Derivative instruments | - | 674 |
| Other | 27,905 | 20,947 |
| Total | 305,829 | 281,990 |
| Total | \$ 3,338,520 | \$ 3,337,394 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Balance Sheets

| | December 31 | |
|--|--------------|--------------|
| | 2005 | 2004 |
| LIABILITIES AND CAPITALIZATION | (thousands) | |
| Current Liabilities | | |
| Notes payable to Great Plains Energy | \$ 500 | \$ 24 |
| Commercial paper | 31,900 | - |
| Current maturities of long-term debt | - | 250,000 |
| EIRR bonds classified as current | - | 85,922 |
| Accounts payable | 106,040 | 84,105 |
| Accrued taxes | 27,448 | 34,497 |
| Accrued interest | 11,549 | 9,800 |
| Accrued payroll and vacations | 27,520 | 22,870 |
| Accrued refueling outage costs | 8,974 | 13,180 |
| Other | 8,600 | 8,327 |
| Total | 222,531 | 508,725 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 627,048 | 654,055 |
| Deferred investment tax credits | 29,698 | 33,587 |
| Asset retirement obligations | 145,907 | 113,674 |
| Pension liability | 85,301 | 90,491 |
| Regulatory liabilities | 69,641 | 4,101 |
| Derivative instruments | 2,601 | - |
| Other | 38,387 | 42,832 |
| Total | 998,583 | 938,740 |
| Capitalization | | |
| Common shareholder's equity | | |
| Common stock-1,000 shares authorized without par value | | |
| 1 share issued, stated value | 887,041 | 887,041 |
| Retained earnings | 283,850 | 252,893 |
| Accumulated other comprehensive loss | (29,909) | (40,334) |
| Total | 1,140,982 | 1,099,600 |
| Long-term debt (Note 19) | 976,424 | 790,329 |
| Total | 2,117,406 | 1,889,929 |
| Commitments and Contingencies (Note 13) | | |
| Total | \$ 3,338,520 | \$ 3,337,394 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Cash Flows

| Year Ended December 31 | 2005 | 2004 | Revised 2003 |
|---|------------------|------------------|-------------------------|
| Cash Flows from Operating Activities | | (thousands) | |
| Net income | \$ 143,657 | \$ 143,292 | \$ 117,155 |
| Adjustments to reconcile income to net cash from operating activities: | | | |
| Depreciation and amortization | 146,610 | 145,246 | 140,955 |
| Amortization of: | | | |
| Nuclear fuel | 13,374 | 14,159 | 12,334 |
| Other | 7,681 | 7,719 | 9,350 |
| Deferred income taxes, net | (33,408) | 10,861 | 34,285 |
| Investment tax credit amortization | (3,889) | (3,984) | (3,994) |
| (Gain) loss on property | 4,613 | 5,133 | (1,603) |
| Minority interest in subsidiaries | 7,805 | (5,087) | (1,263) |
| Other operating activities (Note 2) | 79,043 | (1,080) | (24,627) |
| Net cash from operating activities | <u>365,486</u> | <u>316,259</u> | <u>282,592</u> |
| Cash Flows from Investing Activities | | | |
| Utility capital expenditures | (332,055) | (190,548) | (148,675) |
| Allowance for borrowed funds used during construction | (1,598) | (1,498) | (1,368) |
| Purchases of nonutility property | (127) | (254) | (147) |
| Proceeds from sale of assets | 469 | 7,465 | 4,135 |
| Purchases of nuclear decommissioning trust investments | (34,607) | (49,720) | (111,699) |
| Proceeds from nuclear decommissioning trust investments | 31,055 | 46,167 | 108,179 |
| Hawthorn No. 5 partial insurance recovery | 10,000 | 30,810 | 3,940 |
| Hawthorn No. 5 partial litigation settlements | - | 1,139 | 17,263 |
| Other investing activities | (930) | (7,100) | (4,045) |
| Net cash from investing activities | <u>(327,793)</u> | <u>(163,539)</u> | <u>(132,417)</u> |
| Cash Flows from Financing Activities | | | |
| Issuance of long-term debt | 334,417 | - | - |
| Repayment of long-term debt | (335,922) | (209,140) | (124,000) |
| Net change in short-term borrowings | 32,376 | (21,959) | (1,867) |
| Dividends paid to Great Plains Energy | (112,700) | (119,160) | (98,000) |
| Equity contribution from Great Plains Energy | - | 225,000 | 100,000 |
| Issuance fees | (4,522) | (2,362) | (266) |
| Net cash from financing activities | <u>(86,351)</u> | <u>(127,621)</u> | <u>(124,133)</u> |
| Net Change in Cash and Cash Equivalents | (48,658) | 25,099 | 26,042 |
| Less: Net Change in Cash and Cash Equivalents from Discontinued Operations | - | - | (307) |
| Cash and Cash Equivalents at Beginning of Year | 51,619 | 26,520 | 171 |
| Cash and Cash Equivalents at End of Year | \$ 2,961 | \$ 51,619 | \$ 26,520 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Common Shareholder's Equity

| | 2005 | | 2004 | | 2003 | |
|--|-----------------------------------|---------------------|--------|---------------------|--------|-------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| Common Stock | (thousands, except share amounts) | | | | | |
| Beginning balance | 1 | \$ 887,041 | 1 | \$ 662,041 | 1 | \$ 562,041 |
| Equity contribution from Great Plains Energy | - | - | - | 225,000 | - | 100,000 |
| Ending balance | 1 | 887,041 | 1 | 887,041 | 1 | 662,041 |
| Retained Earnings | | | | | | |
| Beginning balance | | 252,893 | | 228,761 | | 209,606 |
| Net income | | 143,657 | | 143,292 | | 117,155 |
| Dividends: | | | | | | |
| Common stock held by Great Plains Energy | | (112,700) | | (119,160) | | (98,000) |
| Ending balance | | 283,850 | | 252,893 | | 228,761 |
| Accumulated Other Comprehensive Loss | | | | | | |
| Beginning balance | | (40,334) | | (35,244) | | (26,614) |
| Derivative hedging activity, net of tax | | 7,571 | | (233) | | (83) |
| Minimum pension obligation, net of tax | | 2,854 | | (4,857) | | (8,547) |
| Ending balance | | (29,909) | | (40,334) | | (35,244) |
| Total Common Shareholder's Equity | | \$ 1,140,982 | | \$ 1,099,600 | | \$ 855,558 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Comprehensive Income

| Year Ended December 31 | 2005 | 2004 | 2003 |
|--|-------------------|-------------------|-------------------|
| | | (thousands) | |
| Net income | \$ 143,657 | \$ 143,292 | \$ 117,155 |
| Other comprehensive income | | | |
| Gain on derivative hedging instruments | 12,650 | 280 | 657 |
| Income taxes | (4,759) | (111) | (256) |
| Net gain on derivative hedging instruments | 7,891 | 169 | 401 |
| Reclassification to expenses, net of tax | (320) | (402) | (484) |
| Derivative hedging activity, net of tax | 7,571 | (233) | (83) |
| Change in minimum pension obligation | 5,410 | (7,321) | (14,012) |
| Income taxes | (2,556) | 2,464 | 5,465 |
| Net change in minimum pension obligation | 2,854 | (4,857) | (8,547) |
| Comprehensive income | \$ 154,082 | \$ 138,202 | \$ 108,525 |

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY
Notes to Consolidated Financial Statements

The notes to consolidated financial statements that follow are a combined presentation for Great Plains Energy Incorporated and Kansas City Power & Light Company, both registrants under this filing. The terms "Great Plains Energy," "Company," "KCP&L" and "consolidated KCP&L" are used throughout this report. "Great Plains Energy" and the "Company" refer to Great Plains Energy Incorporated and its consolidated subsidiaries, unless otherwise indicated. "KCP&L" refers to Kansas City Power & Light Company, and "consolidated KCP&L" refers to KCP&L and its consolidated subsidiaries.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Great Plains Energy, a Missouri corporation incorporated in 2001, is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries. Great Plains Energy has four direct subsidiaries with operations or active subsidiaries:

- KCP&L is an integrated, regulated electric utility that provides electricity to customers primarily in the states of Missouri and Kansas. KCP&L's wholly owned subsidiary, Home Service Solutions Inc. (HSS) sold its wholly owned subsidiary, Worry Free Service, Inc. (Worry Free) in February 2005 and completed the disposition of its interest in R.S. Andrews Enterprises, Inc. (RSAE) in June 2003. See Note 8 for additional information concerning the June 2003 disposition of RSAE. After these sales, HSS has no active operations.
- KLT Inc. is an intermediate holding company that primarily holds, directly or indirectly, interests in Strategic Energy, L.L.C. (Strategic Energy), which provides competitive retail electricity supply services in several electricity markets offering retail choice, and affordable housing limited partnerships. KLT Inc. also wholly owns KLT Gas Inc. (KLT Gas). See Note 8 for additional information regarding KLT Gas discontinued operations.
- Innovative Energy Consultants Inc. (IEC) is an intermediate holding company that holds an indirect interest in Strategic Energy. IEC does not own or operate any assets other than its indirect interest in Strategic Energy. When combined with KLT Inc.'s indirect interest in Strategic Energy, the Company owns just under 100% of the indirect interest in Strategic Energy.
- Great Plains Energy Services Incorporated (Services) provides services at cost to Great Plains Energy and its subsidiaries, including consolidated KCP&L.

The operations of Great Plains Energy and its subsidiaries are divided into two reportable segments, KCP&L and Strategic Energy. Great Plains Energy's legal structure differs from the functional management and financial reporting of its reportable segments. Other activities not considered a reportable segment include the operations of HSS, Services, all KLT Inc. operations other than Strategic Energy, and holding company operations.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. For Great Plains Energy, this includes Strategic Energy's cash held in trust of \$21.9 million and \$21.0 million at December 31, 2005 and 2004, respectively.

Strategic Energy has entered into collateral arrangements with selected electricity power suppliers that require selected customers to remit payment to lockboxes that are held in trust and managed by a Trustee. As part of the trust administration, the Trustee remits payment to the supplier of electricity

purchased by Strategic Energy. On a monthly basis, any remittances into the lockboxes in excess of disbursements to the supplier are remitted back to Strategic Energy.

Restricted Cash

Strategic Energy has entered into Master Power Purchase and Sale Agreements with its power suppliers. Certain of these agreements contain provisions whereby, to the extent Strategic Energy has a net exposure to the purchased power supplier, collateral requirements are to be maintained. Collateral posted in the form of cash to Strategic Energy is restricted by agreement, but would become unrestricted in the event of a default by the purchased power supplier. Strategic Energy's restricted cash collateral was \$1.9 million and \$7.7 million at December 31, 2005 and 2004, respectively.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Nonutility property and investments – Consolidated KCP&L's investments and nonutility property includes the nuclear decommissioning trust fund recorded at fair value. Fair value is based on quoted market prices of the investments held by the fund. In addition to consolidated KCP&L's investments, Great Plains Energy's investments and nonutility property include KLT Investments Inc.'s (KLT Investments) affordable housing limited partnerships. The fair value of KLT Investments' affordable housing limited partnership total portfolio, based on the discounted cash flows generated by tax credits, tax deductions and sale of properties, approximates book value. The fair values of other various investments are not readily determinable and the investments are therefore stated at cost.

Long-term debt – The incremental borrowing rate for similar debt was used to determine fair value if quoted market prices were not available. Great Plains Energy's and consolidated KCP&L's book values of long-term debt were 1% below fair values at December 31, 2005.

Derivative instruments – The fair value of derivative instruments is estimated using market quotes, over-the-counter forward price and volatility curves and correlation among power and fuel prices, net of estimated credit risk.

Derivative Instruments

The Company accounts for derivative instruments in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This statement generally requires derivative instruments to be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company enters into derivative contracts to manage its exposure to commodity price fluctuations and interest rate risk. Derivative instruments designated as normal purchases and normal sales (NPNS) and cash flow hedges are used solely for hedging purposes and are not issued or held for speculative reasons.

The Company considers various qualitative factors, such as contract and market place attributes, in designating derivative instruments at inception. The Company may elect the NPNS exception, which requires the effects of the derivative to be recorded as the underlying contract settles.

The Company accounts for derivative instruments that are not designated as NPNS as cash flow hedges or non-hedging derivatives, which are recorded as assets or liabilities on the consolidated balance sheets at fair value. At the inception of a derivative instrument, the Company designates its derivative instrument as NPNS, a cash flow hedge or a non-hedging derivative under the requirements of SFAS No. 133. In addition, if a derivative instrument is designated as a cash flow hedge, the Company documents its method of determining hedge effectiveness and measuring ineffectiveness. See Note 21 for additional information regarding derivative financial instruments and hedging activities.

Investments in Affordable Housing Limited Partnerships

At December 31, 2005, KLT Investments had \$28.2 million in affordable housing limited partnerships. Approximately 59% of these investments were recorded at cost; the equity method was used for the remainder. Tax expense is reduced in the year tax credits are generated. The investments generate future cash flows from tax credits and tax losses of the partnerships. The investments also generate cash flows from the sales of the properties. For most investments, tax credits are received over ten years. A change in accounting principle relating to investments made after May 19, 1995, requires the use of the equity method when a company owns more than 5% in a limited partnership investment. Of the investments recorded at cost, \$16.2 million exceed this 5% level but were made before May 19, 1995. Management does not anticipate making additional investments in affordable housing limited partnerships at this time.

On a quarterly basis, KLT Investments compares the cost of those properties accounted for by the cost method to the total of projected residual value of the properties and remaining tax credits to be received. Based on the latest comparison, KLT Investments reduced its investments in affordable housing limited partnerships by \$10.0 million, \$7.5 million and \$11.0 million in 2005, 2004 and 2003, respectively. These amounts are included in Non-operating expenses on Great Plains Energy's consolidated statements of income. The properties underlying the partnership investments are subject to certain risks inherent in real estate ownership and management.

Other Nonutility Property

Great Plains Energy's and consolidated KCP&L's other nonutility property includes land, buildings, vehicles, general office equipment and software and is recorded at historical cost, net of accumulated depreciation, and has a range of estimated useful lives of 3 to 43 years.

Utility Plant

KCP&L's utility plant is stated at historical costs of construction. These costs include taxes, an allowance for the cost of borrowed and equity funds used to finance construction and payroll-related costs, including pensions and other fringe benefits. Replacements, improvements and additions to units of property are capitalized. Repairs of property and replacements of items not considered to be units of property are expensed as incurred (except as discussed under Accrued Refueling Outage Costs). When property units are retired or otherwise disposed, the original cost, net of salvage, is charged to accumulated depreciation. Substantially all utility plant is pledged as collateral for KCP&L's mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented.

As prescribed by the Federal Energy Regulatory Commission (FERC), Allowance for Funds used During Construction (AFDC) is charged to the cost of the plant. AFDC is included in the rates charged to customers by KCP&L over the service life of the property. AFDC equity funds are included as a non-cash item in non-operating income and AFDC borrowed funds are a reduction of interest charges. The rates used to compute gross AFDC are compounded semi-annually and averaged 7.1% in 2005, 8.6% in 2004 and 8.2% in 2003.

The balances of utility plant, at original cost, with a range of estimated useful lives are listed in the following table.

| December 31 | 2005 | 2004 |
|---------------------------------|------------|------------|
| Utility Plant, at original cost | (millions) | |
| Production (23 - 42 years) | \$ 2,970.1 | \$ 2,938.5 |
| Transmission (27 - 76 years) | 331.2 | 315.5 |
| Distribution (8 - 75 years) | 1,377.3 | 1,320.0 |
| General (5 - 50 years) | 280.9 | 267.4 |
| Total ^(a) | \$ 4,959.5 | \$ 4,841.4 |

^(a) Includes \$80.4 million and \$66.6 million of land and other assets for which depreciation was not recorded in 2005 and 2004, respectively.

Depreciation, Depletion and Amortization

Depreciation and amortization of KCP&L's utility plant other than nuclear fuel is computed using the straight-line method over the estimated lives of depreciable property based on rates approved by state regulatory authorities. Annual depreciation rates average approximately 3%. Nuclear fuel is amortized to fuel expense based on the quantity of heat produced during the generation of electricity.

Depreciation of nonutility property is computed using the straight-line method. Consolidated KCP&L's nonutility property annual depreciation rates for 2005, 2004 and 2003 were 11.2%, 11.8% and 11.1%, respectively. Other Great Plains Energy nonutility property annual depreciation rates for 2005, 2004 and 2003 were 20.4%, 24.2% and 21.2%, respectively. Other Great Plains Energy's nonutility property includes Strategic Energy's depreciable assets, which are primarily software costs and are amortized over a shorter period, three years, resulting in a higher annual depreciation rate.

As part of the 2004 acquisition of an additional interest in Strategic Energy, IEC recorded intangible assets that have finite lives and are subject to amortization. These intangible assets include the fair value of acquired supply contracts, customer relationships and asset information systems, which are being amortized over 28, 72 and 44 months, respectively. See Note 7 for additional discussion of the May 2004 acquisition of an additional indirect interest in Strategic Energy.

Depletion, depreciation and amortization of natural gas properties were calculated using the units of production method. After deciding to exit the gas business, the Company ceased recording depletion and as such, there was no significant depletion recorded since 2003. The depletion per mmBtu was \$2.78 in 2003.

Accrued Refueling Outage Costs

KCP&L accrues anticipated incremental costs to be incurred during scheduled Wolf Creek refueling outages monthly over the unit's operating cycle, normally the 18 months preceding the outage. Estimated incremental costs, which include operating, maintenance and replacement power expenses, are based on anticipated outage costs and the estimated outage duration. Changes to or variances from those estimates are recorded when known or are probable.

Nuclear Plant Decommissioning Costs

Nuclear plant decommissioning cost estimates are based on the immediate dismantlement method and include the costs of decontamination, dismantlement and site restoration. Based on these cost estimates, KCP&L contributes to a tax-qualified trust fund to be used to decommission Wolf Creek. Related liabilities for decommissioning are included on KCP&L's balance sheet in Asset Retirement Obligations (AROs). As a result of the authorized regulatory treatment and related regulatory accounting, differences between the decommissioning trust fund asset and the related ARO are recorded as a regulatory asset or liability. See Note 16 for discussion of AROs including those associated with nuclear plant decommissioning costs.

Regulatory Matters

KCP&L, an integrated, regulated electric utility, is subject to the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Pursuant to SFAS No. 71, KCP&L defers items on the balance sheet resulting from the effects of the ratemaking process, which would not be recorded if KCP&L were not regulated. See Note 5 for additional information concerning regulatory matters.

Revenue Recognition

KCP&L and Strategic Energy recognize revenues on sales of electricity when the service is provided. Revenues recorded include electric services provided but not yet billed by KCP&L and Strategic Energy. Unbilled revenues are recorded for kWh usage in the period following the customers' billing cycle to the end of the month. The estimate is based on net system kWh usage less actual billed kWhs, adjusted for weather. Estimated unbilled kWhs are allocated and priced by state across the rate classes based on the following month budget.

As a public utility, KCP&L collects from customers gross receipts taxes levied by state and local governments. These taxes are recorded gross in operating revenues and general taxes on Great Plains Energy's and consolidated KCP&L's consolidated statements of income. KCP&L's gross receipts taxes collected were \$39.3 million, \$37.6 million and \$38.3 million in 2005, 2004 and 2003, respectively.

Strategic Energy purchases blocks of electricity from power suppliers based on forecasted peak demand for its retail customers. Actual customer demand does not always equate to the volume included in blocks of purchased power. Consequently, Strategic Energy sells any excess retail electricity supply over actual customer requirements back into the wholesale market. The proceeds from excess retail supply sales are recorded as a reduction of purchased power, as they do not represent the quantity of electricity consumed by Strategic Energy's customers. The amount of excess retail supply sales that reduced purchased power was \$181.2 million, \$173.3 million and \$91.2 million in 2005, 2004 and 2003, respectively.

KCP&L and Strategic Energy record sale and purchase activity on a net basis in purchased power when RTO/ISO markets require them to sell and purchase power from the RTO/ISO rather than directly transact with suppliers and end-use customers.

Allowance for Doubtful Accounts

This reserve represents estimated uncollectible accounts receivable and is based on management's judgment considering historical loss experience and the characteristics of existing accounts. Provisions for losses on receivables are charged to income to maintain the allowance at a level considered adequate to cover losses. Receivables are charged off against the reserve when they are deemed uncollectible.

Property Gains and Losses

Net gains and losses from the sales of assets, businesses and asset impairments are recorded in operating expenses.

Asset Impairments

Long-lived assets and finite lived intangible assets subject to amortization are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as prescribed under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." SFAS No. 144 requires that if the sum of the undiscounted expected future cash flows from an asset to be held and used is less than the carrying value of the asset, an asset impairment must be recognized in the financial statements. The amount of impairment recognized is the excess of the carrying value of the asset over its fair value.

Goodwill and indefinite lived intangible assets are tested for impairment at least annually and more frequently when indicators of impairment exist as prescribed under SFAS No. 142, "Goodwill and Other Intangible Assets." The annual test must be performed at the same time each year. SFAS No. 142 requires that if the fair value of a reporting unit is less than its carrying value including goodwill, an impairment charge for goodwill must be recognized in the financial statements. To measure the amount of the impairment loss to recognize, the implied fair value of the reporting unit goodwill would be compared with its carrying value. See Note 6 for additional information.

Income Taxes

In accordance with SFAS No. 109, "Accounting for Income Taxes," Great Plains Energy has recognized deferred taxes for temporary book to tax differences using the liability method. The liability method requires that deferred tax balances be adjusted to reflect enacted tax rates that are anticipated to be in effect when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized.

Great Plains Energy and its subsidiaries file consolidated federal and combined and separate state income tax returns. Income taxes for consolidated or combined subsidiaries are allocated to the subsidiaries based on separate company computations of income or loss. In accordance with the Company's intercompany tax allocation agreement, the holding company also allocates its own net income tax benefits to its direct subsidiaries based on the positive taxable income of each company in the consolidated federal or combined state returns. Consistent with its ratemaking treatment, KCP&L uses the separate return method, adjusted for the allocation of parent company tax benefits, to compute its income tax provision.

KCP&L has established a net regulatory asset for the additional future revenues to be collected from customers for deferred income taxes. Tax credits are recognized in the year generated except for certain KCP&L investment tax credits that have been deferred and amortized over the remaining service lives of the related properties.

Environmental Matters

Environmental costs are accrued when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated.

Stock Options

The Company has an equity compensation plan, which is described more fully in Note 10. The Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for its stock options as of January 1, 2003. The Company elected to use the modified prospective method of adoption; therefore, stock option compensation cost recognized beginning January 1, 2003, was the same as if the fair value recognition provisions of SFAS No. 123 had been applied to all stock options granted after October 1, 1995.

In December 2004, FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which the Company adopted as of January 1, 2006. Management determined that this statement will not have a significant impact on the Company's results of operations or financial position.

Basic and Diluted Earnings per Common Share Calculation

There was no significant dilutive effect on Great Plains Energy's EPS from other securities in 2005, 2004 and 2003. To determine basic EPS, preferred stock dividend requirements are deducted from income from continuing operations and net income before dividing by average number of common shares outstanding. The earnings (loss) per share impact of discontinued operations, net of income taxes, is determined by dividing discontinued operations, net of income taxes, by the average number of common shares outstanding. The effect of dilutive securities, calculated using the treasury stock

method, assumes the issuance of common shares applicable to stock options, performance shares and FELINE PRIDES.

The following table reconciles Great Plains Energy's basic and diluted EPS from continuing operations.

| | 2005 | 2004 | 2003 |
|---|--------------------------------------|----------|----------|
| Income | (millions, except per share amounts) | | |
| Income from continuing operations | \$ 164.2 | \$ 173.5 | \$ 189.7 |
| Less: preferred stock dividend requirements | 1.6 | 1.6 | 1.6 |
| Income available to common stockholders | \$ 162.6 | \$ 171.9 | \$ 188.1 |
| Common Shares Outstanding | | | |
| Average number of common shares outstanding | 74.6 | 72.0 | 69.2 |
| Add: effect of dilutive securities | 0.1 | 0.1 | - |
| Diluted average number of common shares outstanding | 74.7 | 72.1 | 69.2 |
| Basic and diluted EPS from continuing operations | \$ 2.18 | \$ 2.39 | \$ 2.72 |

At December 31, 2005, there were 20,493 anti-dilutive shares applicable to performance shares. At December 31, 2004 and 2003, there were no anti-dilutive shares applicable to stock options, performance shares or FELINE PRIDES.

In February 2006, the Board of Directors declared a quarterly dividend of \$0.415 per share on Great Plains Energy's common stock. The common dividend is payable March 20, 2006, to shareholders of record as of February 27, 2006. The Board of Directors also declared regular dividends on Great Plains Energy's preferred stock, payable June 1, 2006, to shareholders of record as of May 10, 2006.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Great Plains Energy Other Operating Activities

| | 2005 | 2004 | 2003 |
|---|---------|------------|-----------|
| Cash flows affected by changes in: | | (millions) | |
| Receivables | \$ 6.6 | \$ (37.5) | \$ (15.6) |
| Fuel inventories | 4.9 | 1.8 | (0.8) |
| Materials and supplies | (2.6) | 2.2 | (5.8) |
| Accounts payable | 12.4 | 9.6 | 17.0 |
| Accrued taxes | (23.1) | 15.3 | 25.5 |
| Accrued interest | 1.6 | (1.0) | (4.5) |
| Accrued refueling outage costs | (4.2) | 11.4 | (6.5) |
| Pension and postretirement benefit assets and obligations | 8.4 | (10.4) | (20.6) |
| Allowance for equity funds used during construction | (1.8) | (2.1) | (1.4) |
| Proceeds from the sale of SO ₂ emission allowances | 61.0 | 0.3 | 0.2 |
| Proceeds from T-Locks | 12.0 | - | - |
| Other | 17.7 | (8.5) | 33.4 |
| Total other operating activities | \$ 92.9 | \$ (18.9) | \$ 20.9 |
| Cash paid during the period: | | | |
| Interest | \$ 68.9 | \$ 84.1 | \$ 78.0 |
| Income taxes | \$ 84.4 | \$ 38.6 | \$ 42.4 |

Consolidated KCP&L Other Operating Activities

| | 2005 | 2004 | 2003 |
|---|----------|------------|-----------|
| Cash flows affected by changes in: | | (millions) | |
| Receivables | \$ (8.5) | \$ 1.6 | \$ (2.9) |
| Fuel inventories | 4.9 | 1.8 | (0.8) |
| Materials and supplies | (2.6) | 2.2 | (5.8) |
| Accounts payable | 16.3 | 1.8 | 7.8 |
| Accrued taxes | (17.2) | (6.6) | (2.8) |
| Accrued interest | 1.7 | (2.0) | (3.7) |
| Accrued refueling outage costs | (4.2) | 11.4 | (6.5) |
| Pension and postretirement benefit assets and obligations | 4.6 | (8.0) | (20.3) |
| Allowance for equity funds used during construction | (1.8) | (2.1) | (1.4) |
| Proceeds from the sale of SO ₂ emission allowances | 61.0 | 0.3 | 0.2 |
| Proceeds from T-Locks | 12.0 | - | - |
| Other | 12.8 | (1.5) | 11.6 |
| Total other operating activities | \$ 79.0 | \$ (1.1) | \$ (24.6) |
| Cash paid during the period: | | | |
| Interest | \$ 57.6 | \$ 73.8 | \$ 71.4 |
| Income taxes | \$ 104.1 | \$ 64.9 | \$ 68.1 |

Discontinued Operations

In 2005, the companies changed the presentation of their consolidated statements of cash flows to include the cash flows from operating, investing and financing activities of discontinued operations within the respective categories of operating, investing and financing activities and retroactively revised the consolidated statements of cash flows for the years ended December 31, 2004 and 2003, as applicable.

| Great Plains Energy | 2004 | 2003 |
|---|-------------|-------------|
| | (millions) | |
| Net cash flows from operating activities as previously reported | \$ 377.1 | \$ 366.7 |
| Change in net cash flows | (23.0) | 20.4 |
| Net cash flows from operating activities as currently reported | 354.1 | 387.1 |
| Net cash flows from investing activities as previously reported | (257.9) | (104.3) |
| Change in net cash flows | 23.5 | (18.7) |
| Net cash flows from investing activities as currently reported | (234.4) | (123.0) |
| Net cash flows from financing activities as previously reported | (106.3) | (213.7) |
| Change in net cash flows | - | (1.5) |
| Net cash flows from financing activities as currently reported | \$ (106.3) | \$ (215.2) |

| Consolidated KCP&L | 2003 |
|---|-------------|
| | (millions) |
| Net cash flows from operating activities as previously reported | \$ 281.4 |
| Change in net cash flows | 1.2 |
| Net cash flows from operating activities as currently reported | 282.6 |
| Net cash flows from investing activities as previously reported | (132.4) |
| Change in net cash flows | - |
| Net cash flows from investing activities as currently reported | (132.4) |
| Net cash flows from financing activities as previously reported | (122.6) |
| Change in net cash flows | (1.5) |
| Net cash flows from financing activities as currently reported | \$ (124.1) |

Significant Non-Cash Items

Asset Retirement Obligations

During 2005, KCP&L recorded AROs totaling \$26.7 million, increased net utility plant by \$13.0 million and increased regulatory assets by \$13.7 million. This activity had no impact on Great Plains Energy and consolidated KCP&L's 2005 net income and had no effect on 2005 cash flows. See Note 16 for additional information.

During 2003, KCP&L adopted SFAS No. 143, "Accounting for Asset Retirement Obligation," and accordingly, recorded AROs totaling \$99.2 million, reversed the decommissioning liability of \$64.6 million previously accrued and increased net utility plant by \$18.3 million. The \$16.3 million net cumulative effect was recorded as a regulatory asset and therefore, had no impact on net income. The adoption of SFAS No. 143 had no effect on Great Plains Energy and consolidated KCP&L's 2003 cash flows.

FIN No. 46

KCP&L consolidated a lease trust and de-consolidated KCPL Financing I in 2003, as required by FASB Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities," as amended. As a result of the consolidation of the lease trust, Great Plains Energy's and consolidated KCP&L's long-term debt increased \$143.8 million. The consolidation of the lease trust had no effect on Great Plains Energy's and consolidated KCP&L's 2003 cash flows. See Note 13 for additional information concerning the consolidation of the lease trust.

Prior to the de-consolidation of KCPL Financing I, Great Plains Energy and consolidated KCP&L reflected \$150 million of 8.3% preferred securities issued by KCPL Financing I on their respective balance sheets. As a result of the de-consolidation, Great Plains Energy's and consolidated KCP&L's other nonutility property and investments increased \$4.6 million representing the investment in the common securities of KCPL Financing I, and long-term debt increased \$154.6 million representing the 8.3% Junior Subordinated Deferrable Interest Debentures issued by KCP&L and held by KCPL Financing I. The de-consolidation of KCPL Financing I had no effect on Great Plains Energy's and consolidated KCP&L's 2003 cash flows.

Minimum Pension Liability

The Company reduced its minimum pension liability \$9.9 million primarily due to an increase in the market value of plan assets. This was offset by a \$1.2 million reduction of an intangible asset and OCI of \$8.7 million (\$4.9 million net of tax) in 2005. In 2004, primarily as a result of lower discount rates and historical losses in the market value of plan assets, the Company recorded an additional minimum pension liability of \$5.8 million and a reduction to an intangible asset of \$1.8 million offset by OCI of \$7.6 million (\$5.1 million net of tax). Recording the minimum pension liabilities had no effect on Great Plains Energy's and consolidated KCP&L's cash flows.

RSAE Disposition

In 2003, HSS completed the disposition of its interest in RSAE. See Note 8 for additional information concerning the disposition of RSAE. The following table summarizes Great Plains Energy's and consolidated KCP&L's loss from discontinued operations as a result of this transaction.

| | 2003 |
|--|-------------|
| | (millions) |
| Cash repayment of supported bank line | \$ (22.1) |
| Write-off of intercompany balance and investment | 4.8 |
| Accrued transaction costs | (1.6) |
| Income tax benefit | 11.8 |
| Loss on disposition | (7.1) |
| Pre-disposition operating losses | (1.6) |
| Discontinued operations | \$ (8.7) |

DTI Bankruptcy

The following table summarizes Great Plains Energy's gain on the sale of DTI assets. See Note 15 for a KLT Telecom related legal proceeding.

| DTI | 2003 |
|--|-------------|
| | (millions) |
| Cash proceeds from bankruptcy estates | \$ 19.2 |
| Cash proceeds from sale of office building | 1.2 |
| Receivables | 1.3 |
| Total proceeds | 21.7 |
| Book basis of office building sold | (2.7) |
| DIP financing accrual reversal | 5.0 |
| Accounts payable | (1.9) |
| Income tax | (9.8) |
| Reversal of tax valuation allowance | 15.8 |
| Gain on sale of assets | \$ 28.1 |

3. RECEIVABLES

The Company's receivables are detailed in the following table.

| | December 31 | |
|---|-------------|----------|
| | 2005 | 2004 |
| Consolidated KCP&L | (millions) | |
| Customer accounts receivable ^(a) | \$ 34.0 | \$ 21.6 |
| Allowance for doubtful accounts | (1.0) | (1.7) |
| Other receivables | 37.3 | 43.5 |
| Consolidated KCP&L receivables | 70.3 | 63.4 |
| Other Great Plains Energy | | |
| Other receivables | 193.0 | 188.5 |
| Allowance for doubtful accounts | (4.3) | (4.7) |
| Great Plains Energy receivables | \$ 259.0 | \$ 247.2 |

^(a) Customer accounts receivable included unbilled receivables of \$31.4 million and \$31.2 million at December 31, 2005 and 2004, respectively.

Consolidated KCP&L's other receivables at December 31, 2005, consisted primarily of receivables from partners in jointly owned electric utility plants and wholesale sales receivables. At December 31, 2004, the balance consisted primarily of receivables from partners in jointly owned electric utility plants, wholesale sales receivables and accounts receivable held by Worry Free. Great Plains Energy's other receivables at December 31, 2005, and December 31, 2004, consisted primarily of accounts receivable held by Strategic Energy, including unbilled receivables of \$99.9 million and \$103.0 million, respectively.

During 2005, KCP&L entered into a new three-year revolving agreement to sell all of its retail electric accounts receivable to its wholly owned subsidiary, Kansas City Power & Light Receivables Company (Receivables Company), which in turn sold an undivided percentage ownership interest in the accounts receivable to Victory Receivables Corporation, an independent outside investor. In accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," the agreements qualify as a sale under which the creditors of Receivables Company are entitled to be satisfied out of the assets of Receivables Company prior to any value being returned to KCP&L or its creditors. Accounts receivable sold by Receivables Company to the outside investor under this revolving agreement totaled \$70 million at December 31, 2005. The proceeds of this sale were forwarded to KCP&L as consideration for its sale. The new agreement allows for a maximum outstanding principal amount sold to the outside investor of \$100 million during the period June 1 through October 31, and \$70 million during the period November 1 through May 31 of each year.

Under the agreement, KCP&L sells its receivables at a fixed price based upon the expected cost of funds and charge-offs. These costs comprise KCP&L's loss on the sale of accounts receivable. KCP&L services the receivables and receives an annual servicing fee of 2.5% of the outstanding principal amount of the receivables sold to Receivables Company. KCP&L does not recognize a servicing asset or liability since management determined the collection agent fee earned by KCP&L approximates market value.

Information regarding KCP&L's sale of accounts receivable to Receivables Company under the new agreement is reflected in the following table.

| 2005 | KCP&L | Receivables Company (millions) | Consolidated KCP&L |
|---|------------|-----------------------------------|--------------------|
| Receivables (sold) purchased | \$ (605.8) | \$ 535.8 | \$ (70.0) |
| Collections | 499.3 | (499.3) | - |
| (Gain) loss on sale of accounts receivable ^(a) | 6.0 | (5.0) | 1.0 |
| Servicing fees | 1.4 | (1.4) | - |
| Fees to outside investor | - | (1.5) | (1.5) |
| Cash flows during the period | | | |
| Cash proceeds from sale of receivables ^(b) | \$ 569.3 | \$ (499.3) | \$ 70.0 |
| Servicing fees | 1.4 | (1.4) | - |

^(a) The net loss is the result of the timing difference inherent in collecting receivables and over the life of the agreement will net to zero.

^(b) During 2005, Receivables Company received \$70 million cash from the outside investor for the sale of accounts receivable, which was then forwarded to KCP&L for consideration of its sale.

KCP&L had a revolving agreement, which expired in January 2005, to sell all of its right, title and interest in the majority of its customer accounts receivable to Receivables Company, which in turn sold most of the receivables to independent outside investors. The expired agreement was structured as a true sale under which the creditors of Receivables Company were entitled to be satisfied out of the assets of Receivables Company prior to any value being returned to KCP&L or its creditors. Accounts receivable sold under the expired revolving agreement totaled \$84.9 million at December 31, 2004. As a result of the sale to the outside investors, Receivables Company received up to \$70 million in cash, which was forwarded to KCP&L as consideration for its sale. At December 31, 2004, Receivables Company had received \$65.0 million in cash.

Information regarding KCP&L's sale of accounts receivable to Receivables Company under the expired agreement is reflected in the following table.

| | 2005 | 2004 | 2003 |
|---|---------|------------------------|----------|
| Gross proceeds on sale of accounts receivable | \$ 46.1 | (millions) \$ 929.1 | \$ 939.5 |
| Collections | 44.3 | 928.0 | 949.5 |
| Loss on sale of accounts receivable | - | 2.5 | 3.7 |
| Late fees | 0.1 | 2.2 | 2.3 |

4. NUCLEAR PLANT

KCP&L owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek), its only nuclear generating unit. Wolf Creek is regulated by the Nuclear Regulatory Commission (NRC), with respect to licensing, operations and safety-related requirements.

Spent Nuclear Fuel and Radioactive Waste

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. KCP&L pays the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered and sold for the future disposal of spent nuclear fuel. These disposal costs are charged to fuel expense. In 2002, the U.S. Senate approved

Yucca Mountain, Nevada as a long-term geologic repository. The DOE is currently in the process of preparing an application to obtain the NRC license to proceed with construction of the repository. Management cannot predict when this site may be available. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel first from the owners with the oldest spent fuel. Wolf Creek has completed an on-site storage facility that is designed to hold all spent fuel generated at the plant through the end of its 40-year licensed life in 2025. See Note 15 for a related legal proceeding.

Nuclear Plant Decommissioning Costs

The Public Service Commission of the State of Missouri (MPSC) and The State Corporation Commission of the State of Kansas (KCC) require KCP&L and the other owners of Wolf Creek to submit an updated decommissioning cost study every three years and to propose funding levels. The most recent study was submitted to the MPSC and KCC in 2005 and is the basis for the current cost of decommissioning estimates in the following table. The MPSC issued an order effective January 20, 2006, continuing the Missouri jurisdictional funding at the previously ordered level. The MPSC order did not explicitly approve or disapprove the 2005 decommissioning cost study submitted by KCP&L. The KCC has not yet ruled on the study but has set a procedural schedule in 2006 to address it.

The Missouri funding schedule previously approved by the MPSC assumes funding through the expiration of Wolf Creek's current NRC operating license (2025). In 2005, the MPSC order regarding the comprehensive energy plan increased Wolf Creek's depreciable life for Missouri regulatory purposes from 40 to 60 years and assumes funding through 2045. The Kansas funding schedule previously approved by KCC assumes that Wolf Creek will be granted a 20-year license extension and, thus, assumes funding through 2045. WCNOG has filed with the NRC a letter of intent to file an application for a license extension. Management anticipates that WCNOG will file that application with the NRC in 2006. As such, it is likely that any future decommissioning cost study and funding levels will be based on the assumed extended life.

Nuclear decommissioning cost and the associated nuclear decommissioning trust funding levels were addressed in the general rate cases filed in February 2006. KCP&L proposed cost estimates, assumptions and related funding schedules for nuclear plant decommissioning in its general rate cases as provided in the following table. KCP&L's proposal will be considered by the MPSC and KCC; however, the outcome could differ from the proposal.

| | Total Station | KCP&L's 47% Share |
|---|--------------------------|----------------------------------|
| | (millions) | |
| Current cost of decommissioning (in 2005 dollars) | \$ 518 | \$ 243 |
| Future cost of decommissioning (in 2045 dollars) | 2,897 | 1,362 |
| Annual escalation factor | 4.40% | |
| Annual return on trust assets ^(a) | 6.48% | |

^(a) The 6.48% rate of return is thru 2025. The rate then systematically decreases through 2045 to 4.04% based on the assumption that the fund's investment mix will become increasingly more conservative as the decommissioning date approaches.

KCP&L currently contributes approximately \$3.6 million annually to a tax-qualified trust fund to be used to decommission Wolf Creek. If KCP&L's proposal is accepted by the MPSC and KCC, total annual funding would not change. Amounts funded are charged to other operating expense and recovered in billings to customers. If the actual return on trust assets is below the anticipated level, management

believes a rate increase would be allowed ensuring full recovery of decommissioning costs over the remaining life of the station.

The following table summarizes the change in Great Plains Energy's and consolidated KCP&L's decommissioning trust fund.

| December 31 | 2005 | 2004 |
|------------------------------|-------------|-------------|
| Decommissioning Trust | (millions) | |
| Beginning balance | \$ 84.1 | \$ 75.0 |
| Contributions | 3.6 | 3.6 |
| Realized gains | 3.9 | 3.6 |
| Unrealized gains | 0.2 | 1.9 |
| Ending balance | \$ 91.8 | \$ 84.1 |

The decommissioning trust is reported at fair value on the balance sheets and is invested in assets as detailed in the following table.

| Asset Category | December 31 | |
|-----------------------|--------------------|-------------|
| | 2005 | 2004 |
| Equity securities | 48% | 46% |
| Debt securities | 46% | 50% |
| Other | 6% | 4% |
| Total | 100% | 100% |

Nuclear Liability and Insurance

The owners of Wolf Creek, a nuclear generating station, (Owners) maintain nuclear insurance for Wolf Creek in four areas: liability, worker radiation, property and accidental outage. These policies contain certain industry standard exclusions, including, but not limited to, ordinary wear and tear, and war. Both the nuclear liability and property insurance programs subscribed to by members of the nuclear power generating industry include industry aggregate limits for non-certified acts of terrorism and related losses, as defined by the Terrorism Risk Insurance Act, including replacement power costs. An industry aggregate limit of \$0.3 billion exists for liability claims, regardless of the number of non-certified acts affecting Wolf Creek or any other nuclear energy liability policy or the number of policies in place. An industry aggregate limit of \$3.2 billion plus any reinsurance recoverable by Nuclear Electric Insurance Limited (NEIL), the Owners' insurance provider, exists for property claims, including accidental outage power costs for acts of terrorism affecting Wolf Creek or any other nuclear energy facility property policy within twelve months from the date of the first act. These limits are the maximum amount to be paid to members who sustain losses or damages from these types of terrorist acts. For certified acts of terrorism, the individual policy limits apply. In addition, industry-wide retrospective assessment programs (discussed below) can apply once these insurance programs have been exhausted.

Liability Insurance

Pursuant to the Price-Anderson Act, which was reauthorized through December 31, 2025, by the Energy Policy Act of 2005, the Owners are required to insure against public liability claims resulting from nuclear incidents to the full limit of public liability, which is currently \$10.8 billion. This limit of liability consists of the maximum available commercial insurance of \$0.3 billion, and the remaining \$10.5 billion is provided through an industry-wide retrospective assessment program mandated by law, known as the Secondary Financial Protection (SFP) program. Under the SFP program, the Owners can be assessed up to \$100.6 million (\$47.3 million, KCP&L's 47% share) per incident at any commercial reactor in the country, payable at no more than \$15 million (\$7.1 million, KCP&L's 47%

share) per incident per year effective with the Energy Policy Act of 2005. This assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. This assessment is in addition to worker radiation claims insurance. In addition, the U.S. Congress could impose additional revenue-raising measures to pay claims.

Property, Decontamination, Premature Decommissioning and Extra Expense Insurance

The Owners carry decontamination liability, premature decommissioning liability and property damage insurance for Wolf Creek totaling approximately \$2.8 billion (\$1.3 billion, KCP&L's 47% share). NEIL provides this insurance.

In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination in accordance with a plan mandated by the NRC. KCP&L's share of any remaining proceeds can be used for further decontamination, property damage restoration and premature decommissioning costs. Premature decommissioning coverage applies only if an accident at Wolf Creek exceeds \$500 million in property damage and decontamination expenses, and only after trust funds have been exhausted.

Accidental Nuclear Outage Insurance

The Owners also carry additional insurance from NEIL to cover costs of replacement power and other extra expenses incurred in the event of a prolonged outage resulting from accidental property damage at Wolf Creek.

Under all NEIL policies, the Owners are subject to retrospective assessments if NEIL losses, for each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum amount of retrospective assessments under the current policies could total approximately \$26.5 million (\$12.4 million, KCP&L's 47% share) per policy year.

In the event of a catastrophic loss at Wolf Creek, the insurance coverage may not be adequate to cover property damage and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by KCP&L and the other owners and could have a material adverse effect on KCP&L's results of operations, financial position and cash flows.

Low-Level Waste

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact (Compact) and selected a site in northern Nebraska to locate a disposal facility. WCNOC and the owners of the other five nuclear units in the Compact provided most of the pre-construction financing for this project.

On December 18, 1998, the application for a license to construct this project was denied. After the license denial, WCNOC, the Compact Commission (Commission) and others filed a lawsuit in federal court contending Nebraska officials acted in bad faith while handling the license application. In September 2002, the U.S. District Court Judge presiding over the lawsuit issued his decision in the case finding that the State of Nebraska acted in bad faith in processing the license application for a low-level radioactive waste disposal site in Nebraska and rendered a judgment on behalf of the Commission in the amount of \$151.4 million against the state. After the U.S. Court of Appeals affirmed the decision, Nebraska and the Commission settled the case by Nebraska agreeing to pay the Commission a one-time amount of \$145.8 million. At the request of the Commission, WCNOC along with other members of the Compact, filed with the Commission their claims for refund. In 2005, WCNOC received a return of its investment of \$19.6 million (\$9.2 million, KCP&L's 47% share), including pre-judgment interest and attorney's fees. The Commission continues to explore alternative long-term waste disposal capability and has retained a portion of the settlement, above the amounts

returned, until it determines what role it will take in the development of alternative disposal capability. In February 2006, the Commission decided to refund an additional \$1.7 million (\$0.8 million, KCP&L's 47% share) to WCNO. The remaining insignificant amount will be retained by the Commission for future operations. At December 31, 2005, KCP&L's balance sheet no longer reflects an investment in the Compact. KCP&L's net investment in the Compact was \$7.4 million at December 31, 2004.

Wolf Creek continues to dispose of its low-level radioactive waste at the reopened disposal facility at Barnwell, South Carolina. South Carolina intends to gradually decrease the amount of waste it allows from outside its compact until around 2008 when it intends to no longer accept waste from generators outside its compact. Wolf Creek remains able to dispose of some of its radioactive waste at a facility in Utah. Although management is unable to predict when a permanent disposal facility for Wolf Creek low-level radioactive waste might become available, this issue is not expected to affect continued operation of Wolf Creek.

5. REGULATORY MATTERS

KCP&L's Comprehensive Energy Plan

KCP&L continues to make progress in implementing its comprehensive energy plan and received orders from the MPSC and KCC in 2005. The orders were on agreements reached among KCP&L, the Commissions' staffs and certain key parties in the respective jurisdictions. The Sierra Club and Concerned Citizens of Platte County have appealed the MPSC order, and the Sierra Club has appealed the KCC order. These appeals are expected to be decided in 2006. Although subject to these appeals, the MPSC and KCC orders remain in effect pending the applicable court's decision.

- KCP&L will make energy infrastructure investments as detailed in the orders and summarized in the table below.

| Project | Details | Estimated Capital Expenditures (millions) |
|-----------------------------|---|--|
| Iatan No. 2 ^(a) | Building and owning 465 MW of an 850 MW coal fired plant with an estimated completion date of June 2010 | \$ 733 |
| Wind Generation | Installation of 100.5 MW of wind generation in 2006 | 166 |
| Environmental | Retrofit of selected existing coal plants | 272 |
| Asset Management | Enhanced system performance and reliability | 42 |
| Customer Programs | Various demand management, distributed generation and efficiency programs | 53 |
| Total ^(b) | | \$ 1,266 |

^(a) MW based on current estimates.

^(b) These amounts are estimates. Because of the magnitude of these investments and the length of time to implement the comprehensive energy plan, actual expenditures may differ from these estimates.

- Ownership agreements are being finalized with Iatan No. 2 partners. KCP&L has awarded a contract for detailed engineering design services and project and construction management support. Detailed project engineering and design has begun and plant construction is expected to start in 2006. KCP&L has received an air permit from the Missouri Department of Natural Resources, which is being appealed by the Sierra Club. KCP&L anticipates issuances of a wetlands permit, a permit for the construction of a temporary barge slip and an Environmental Assessment with a finding of No Significant Impact toward mid-year 2006.
- KCP&L has selected a developer and contractor for the construction of a 100.5 MW wind project in Kansas. Construction will begin in the first half of 2006 and management expects the project

to be completed in time for inclusion in rates in 2007. The orders also include the possible addition of another 100 MW of wind generation in 2008 if supported by a detailed evaluation.

- KCP&L has awarded a contract to install a Selective Catalytic Reduction (SCR) system at LaCygne No. 1 scheduled for completion in May 2007. Additional environmental upgrades at LaCygne No. 1 are scheduled for 2009. Other planned environmental investments include a similar SCR upgrade and the addition of a wet scrubber and baghouse at Iatan No. 1 expected to be completed in 2008.
- Several demand management efficiency and affordability programs are being implemented to help customers manage usage and costs including online energy analysis, air conditioner cycling and low-income weatherization.
- KCP&L's current rates will remain in place until 2007 in accordance with the orders. On February 1, 2006, KCP&L filed requests with the MPSC and KCC for annual rate increases of \$55.8 million or 11.5% and \$42.3 million or 10.5%, respectively. The requested rate increases are for recovery of increasing operating costs including fuel, transportation and pensions as well as investments in wind generation and customer programs. The request is based on a return on equity of 11.5% and an adjusted equity ratio of 53.8%. KCP&L anticipates that approved rate adjustments will go into effect January 1, 2007. The last rate case required by the orders is expected to be filed in 2009, with rates effective near the time Iatan No. 2 is placed in service. Two additional rate cases could be filed in 2007 and 2008 at KCP&L's discretion.
- The KCC order allows KCP&L to request recovery, on a dollar-for-dollar basis with no profit to the company, of actual fuel and purchased power expense incurred through an energy cost adjustment. Similarly, an interim energy charge, based on forecasted costs and subject to customer refund, is contained in the MPSC order. The rate requests filed with the MPSC and KCC on February 1, 2006, do not include the fuel clauses; however, fuel clauses still could be proposed and implemented based on developments during the proceedings.
- KCP&L may sell SO₂ emission allowances during the term of the orders. The sales proceeds are recorded as a regulatory liability for ratemaking purposes and will be amortized in accordance with the last rate case filed under the orders. In 2005, KCP&L sold \$60.3 million of SO₂ emission allowances.
- The rate increase requests filed with the MPSC and the KCC on February 1, 2006, include pension costs of approximately \$46 million calculated consistently with the methodology established in the orders. The orders established KCP&L's annual pension costs for regulatory purposes at \$22 million until 2007 through the creation of regulatory assets or liabilities, as appropriate. See Note 9 for additional information.
- Wolf Creek's depreciable life for Missouri regulatory purposes has been increased from 40 to 60 years. The MPSC order calls for \$10.3 million, on an annual jurisdictional basis, of additional amortization expense to be recorded to offset the reduction in depreciation expense due to the change in depreciable life. The 60-year Missouri depreciable life matches the current Kansas regulatory depreciable life. In 2005, KCP&L began recording depreciation and amortization expense in accordance with the order.
- The orders are intended to provide KCP&L with regulatory mechanisms to be able to recover the prudent costs of its investments as they are placed in service and an ability to maintain targeted credit ratios over the five-year term of the orders.

The orders provide regulatory clarity on certain items; however, normal regulatory risk will continue to exist as the commissions establish rates in the rate cases, including, but not limited to, the actual amount of costs to be recovered through rates, the return on equity, the capital structure utilized and expenses to be recovered.

Regulatory Assets and Liabilities

KCP&L is subject to the provisions of SFAS No. 71 and has recorded assets and liabilities on its balance sheet resulting from the effects of the ratemaking process, which would not be recorded under GAAP for non-regulated entities. Regulatory assets represent costs incurred that have been deferred because future recovery in customer rates is probable. Regulatory liabilities generally represent probable future reductions in revenue or refunds to customers. Future recovery of regulatory assets is not assured, but is generally subject to review by regulators in rate proceedings for matters such as prudence and reasonableness. Future reductions in revenue or refunds for regulatory liabilities generally are not mandated, pending future rate proceedings or actions by the regulators. Management regularly assesses whether regulatory assets and liabilities are probable of future recovery or refund by considering factors such as decisions by the MPSC, KCC or FERC on KCP&L's rate case filings; decisions in other regulatory proceedings, including decisions related to other companies that establish precedence on matters applicable to KCP&L; and changes in laws and regulations. If recovery or refund of regulatory assets or liabilities is not approved by regulators or is no longer deemed probable, these regulatory assets or liabilities are recognized in the current period results of operations. KCP&L's continued ability to meet the criteria for application of SFAS No. 71 may be affected in the future by restructuring and deregulation in the electric industry. In the event that SFAS No. 71 no longer applied to a deregulated portion of KCP&L's operations, the related regulatory assets and liabilities would be written off unless an appropriate regulatory recovery mechanism is provided. Additionally, these factors could result in an impairment of utility plant assets if the cost of the assets could not be expected to be recovered in customer rates. Whether an asset has been impaired is determined pursuant to the requirements of SFAS No. 144.

| | Amortization ending period | December 31 | |
|---|-------------------------------|-----------------|-----------------|
| | | 2005 | 2004 |
| Regulatory Assets | | (millions) | |
| Taxes recoverable through future rates | | \$ 85.7 | \$ 81.0 |
| Decommission and decontaminate federal uranium enrichment facilities | 2007 | 1.3 | 2.0 |
| Loss on reacquired debt | 2037 | 7.1 | 7.7 |
| January 2002 incremental ice storm costs (Missouri) | 2007 | 4.9 | 9.5 |
| Change in depreciable life of Wolf Creek | 2045 | 27.4 | 15.5 |
| Cost of removal | | 9.3 | 13.9 |
| Asset retirement obligations | | 23.6 | 11.4 |
| Future recovery of pension costs | | 15.6 | - |
| Other | Various | 5.0 | 3.3 |
| Total Regulatory Assets | | \$ 179.9 | \$ 144.3 |
| Regulatory Liabilities | | | |
| Emission allowances | | \$ 64.3 | \$ 4.1 |
| Pension accounting method difference | | 1.0 | - |
| Additional Wolf Creek amortization (Missouri) | | 4.3 | - |
| Total Regulatory Liabilities | | \$ 69.6 | \$ 4.1 |

Except as noted below, regulatory assets for which costs have been incurred have been included (or are expected to be included, for costs incurred subsequent to the most recently approved rate case) in KCP&L's rate base, thereby providing a return on invested costs when included in rate base. Certain regulatory assets do not result from cash expenditures and therefore do not represent investments included in rate base or have offsetting liabilities that reduce rate base. The pension accounting method difference (which may be either a regulatory asset or liability) and certain insignificant items in Regulatory Assets – Other are not included in rate base.

Southwest Power Pool Regional Transmission Organization

Under FERC Order 2000, KCP&L, as an investor-owned utility, is strongly encouraged to join a FERC approved RTO. RTOs combine transmission operations of utility businesses into regional organizations that schedule transmission services and monitor the energy market to ensure regional transmission reliability and non-discriminatory access. The Southwest Power Pool (SPP), of which KCP&L is a member, obtained approval from FERC as an RTO in a January 24, 2005, order. KCP&L intends on participating in the SPP RTO and during 2005, KCP&L filed applications with the MPSC and KCC seeking authorization to participate in the SPP RTO. In these applications, KCP&L requested authorization be granted by May 1, 2006. In February 2006, KCP&L reached an agreement with the MPSC staff and interveners regarding interim approval to turn over functional control of KCP&L's transmission facilities to the SPP RTO and participate in the energy imbalance market scheduled to start May 1, 2006. KCC has held workshops seeking additional information on the request to participate.

During 2005, a cost/benefit analysis was completed under the direction of the SPP Regional State Committee (composed of state commissioners from the states where the SPP RTO operates). The analysis indicates that implementation of an energy imbalance market within the SPP region would provide net benefits of approximately \$373 million over a 10-year period to the transmission-owning members of the SPP RTO; however, there was no significant documented impact for KCP&L over the 10-year period. During 2005, SPP RTO filed its plans for the energy imbalance market with FERC. These plans include a May 1, 2006, start date for the energy imbalance market. Subsequently, FERC issued an order rejecting this filing. SPP RTO made a revised filing on January 4, 2006, addressing FERC's issues.

Seams Elimination Charge Adjustment

Seams Elimination Charge Adjustment (SECA) is a transitional pricing mechanism authorized by FERC and intended to compensate transmission owners for the revenue lost as a result of FERC's elimination of regional through and out rates between PJM Interconnection (PJM) and the Midwest Independent Transmission System Operator, Inc. (MISO) during a 16-month transition period from December 1, 2004 through March 31, 2006. Each relevant PJM and MISO zone and the load-serving entities within that zone are allocated a portion of the SECA based on transmission services provided to that zone during 2002 and 2003.

In 2005, PJM and MISO began invoicing Strategic Energy for these charges, based on allocations in compliance filings made by transmission owners and accepted by FERC, subject to refund and adjustment. During 2005, Strategic Energy recorded purchased power expenses totaling \$13.6 million for these charges covering billings for the transition period. The compliance filings allocate approximately \$1 million of charges per month, through March 2006. Strategic Energy began to bill a portion of its SECA costs to its retail customers.

There are several unresolved matters and legal challenges to the SECA that are pending before FERC on rehearing. FERC established a schedule for resolution of certain SECA issues, including the issue of shifting SECA allocations to the shipper. The shipper in Strategic Energy's situation is the wholesale supplier, which, through a contract with Strategic Energy, delivered power to various zones in which Strategic Energy was supplying retail customers. In most instances, the shipper was the purchaser of through and out transmission service and therefore included the cost of the through and out rate in its energy price. Management is unable to predict the outcome of legal and regulatory challenges to the SECA mechanism.

6. GOODWILL AND INTANGIBLE PROPERTY

Goodwill reported on Great Plains Energy's consolidated balance sheets associated with the Company's ownership in Strategic Energy was \$87.6 million and \$86.8 million at December 31, 2005

and 2004, respectively. Annual impairment tests, conducted September 1, have been completed and there were no impairments of goodwill in 2005, 2004 or 2003. See Note 7 for additional information regarding the 2004 acquisition of an additional indirect interest in Strategic Energy.

Other Intangible Assets and Related Liabilities

Great Plains Energy and consolidated KCP&L's intangible assets and related liabilities are detailed in the following table.

| | December 31, 2005 | | December 31, 2004 | |
|--------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Consolidated KCP&L | (millions) | | | |
| Computer software ^(a) | \$ 92.9 | \$ (68.8) | \$ 88.7 | \$ (61.3) |
| Other Great Plains Energy | | | | |
| Computer software ^(a) | 12.0 | (5.2) | 5.4 | (3.4) |
| Acquired intangible assets | | | | |
| Supply contracts | 26.5 | (19.3) | 26.5 | (7.7) |
| Customer relationships | 17.0 | (4.7) | 17.0 | (1.9) |
| Asset information systems | 1.9 | (0.9) | 1.9 | (0.3) |
| Unamortized intangible assets | | | | |
| Strategic Energy trade name | 0.7 | | 0.7 | |
| Total intangible assets | \$ 151.0 | \$ (98.9) | \$ 140.2 | \$ (74.6) |
| Amortized related liabilities | | | | |
| Retail contracts | \$ 26.5 | \$ (19.3) | \$ 26.5 | \$ (7.7) |

^(a) Computer software is included in electric utility plant or other nonutility property, as applicable, on the consolidated balance sheets.

The fair value of acquired supply (intangible asset) and retail (liability) contracts is being amortized over approximately 28 months. Other intangible assets recorded that have finite lives and are subject to amortization include customer relationships and asset information systems, which are being amortized over 72 and 44 months, respectively. A \$0.7 million intangible asset for the Strategic Energy trade name was also recorded and deemed to have an indefinite life, and as such, is not being amortized. See Note 7 for more information.

Amortization expense for the acquired share of intangible assets and related liabilities is detailed in the following table.

| | | | Estimated Amortization Expense | | | | |
|--------------------------|---------|--------|--------------------------------|--------|--------|--------|--------|
| | 2005 | 2004 | 2006 | 2007 | 2008 | 2009 | 2010 |
| | | | (millions) | | | | |
| Intangible assets | \$ 15.0 | \$ 9.9 | \$ 10.6 | \$ 3.3 | \$ 2.8 | \$ 2.9 | \$ 0.9 |
| Related liabilities | (11.6) | (7.7) | (7.2) | - | - | - | - |
| Net amortization expense | \$ 3.4 | \$ 2.2 | \$ 3.4 | \$ 3.3 | \$ 2.8 | \$ 2.9 | \$ 0.9 |

7. ACQUISITION OF ADDITIONAL INDIRECT INTEREST IN STRATEGIC ENERGY

In May 2004, Great Plains Energy, through IEC, purchased an additional 11.45% indirect interest in Strategic Energy. The Company paid cash of \$90.0 million, including \$1.2 million of transaction costs. In accordance with the purchase terms, the Company also recorded a \$0.9 million liability for 2004 fractional dividends to the previous owner for its share of 2004 budgeted Strategic Energy dividends. See Note 15 for discussion of a related legal proceeding.

A third party valuation was prepared to assist in the Company's determination of the purchase price allocation. The acquired share of identifiable intangible assets and liabilities were recorded by IEC at fair value as part of the purchase price allocation. The purchase price allocation for the net assets acquired is detailed in the following table. See Note 6 for more information.

| | 2004 |
|--|------------|
| | (millions) |
| Other non-utility property and investments | \$ 10.6 |
| Goodwill | 60.7 |
| Other deferred charges | 46.1 |
| Total assets | 117.4 |
| Accounts payable | 0.9 |
| Other deferred credits and liabilities | 26.5 |
| Net assets acquired | \$ 90.0 |

8. DISCONTINUED OPERATIONS

KLT Gas

In February 2004, the Board of Directors approved the sale of the KLT Gas natural gas properties (KLT Gas portfolio) and discontinuation of the gas business. Since the approval, the KLT Gas portfolio has been reported as discontinued operations in accordance with SFAS No. 144. During 2004, KLT Gas completed sales of substantially all of the KLT Gas portfolio. At December 31, 2005 and 2004, KLT Gas had \$0.6 million and \$0.7 million of current assets and \$0.1 million and \$2.1 million of current liabilities recorded in assets and liabilities from discontinued operations, respectively. The following table summarizes the discontinued operations.

| | 2005 | 2004 | 2003 |
|--|----------|------------|-----------|
| | | (millions) | |
| Revenues | \$ - | \$ 1.6 | \$ 1.5 |
| Gain (loss) from operations, including impairments, before income taxes | (2.9) | (4.5) | (59.1) |
| Gain on sales of assets | - | 16.8 | - |
| Discontinued operations before income taxes | (2.9) | 12.3 | (59.1) |
| Income taxes | 1.0 | (5.0) | 23.0 |
| Discontinued operations, net of income taxes | \$ (1.9) | \$ 7.3 | \$ (36.1) |

RSAE

In 2003, HSS completed the disposition of its interest in RSAE. The financial statements reflect RSAE as discontinued operations for 2003 in accordance with SFAS No. 144. The following table summarizes the discontinued operations.

| | 2003 |
|---|-------------|
| | (millions) |
| Revenues | \$ 31.8 |
| Loss from operations before income taxes | (1.6) |
| Loss on disposal before income taxes | (18.9) |
| Total loss on discontinued operations before income taxes | (20.5) |
| Income tax benefit | 11.8 |
| Discontinued operations, net of income taxes | \$ (8.7) |

9. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

Pension Plans and Other Employee Benefits

The Company maintains defined benefit pension plans for substantially all employees, including officers, of KCP&L, Services and WCNO. Pension benefits under these plans reflect the employees' compensation, years of service and age at retirement. The funding policy for the pension plans is to contribute amounts sufficient to meet the minimum funding requirements under the Employee Retirement Income Security Act of 1974 (ERISA) plus additional amounts as considered appropriate.

The MPSC and KCC 2005 orders establish KCP&L's annual pension costs at \$22 million through the creation of regulatory assets and liabilities for future recovery from or refund to customers, as appropriate. As a result, pension cost for KCP&L was reduced by \$14.6 million and a corresponding regulatory asset and liability were established.

For defined benefit pension plans sponsored by Great Plains Energy, contributions and expense are allocated to KCP&L and Services based on labor costs of plan participants. Any additional minimum pension liability is allocated based on the Company's funded status per plan.

In addition to providing pension benefits, the Company provides certain postretirement health care and life insurance benefits for substantially all retired employees of KCP&L, Services and WCNO. The cost of postretirement benefits charged to KCP&L are accrued during an employee's years of service and recovered through rates. The Company funds the portion of net periodic postretirement benefit costs that are tax deductible. For post-retirement health care plans sponsored by Great Plains Energy, contributions and expense are allocated to KCP&L and Services based upon the number of plan participants.

The following pension benefits tables provide information relating to the funded status of all defined benefit pension plans on an aggregate basis as well as the components of net periodic benefit costs. The plan measurement date for the majority of plans is September 30. In 2005, contributions of \$0.2 million and \$3.8 million were made to the pension and postretirement benefit plans, respectively, after the measurement date and in 2004, contributions of \$20.7 million were made to the pension plans after the measurement date. Net periodic benefit costs reflect total plan benefit costs prior to the effects of capitalization and sharing with joint-owners of power plants.

| | Pension Benefits | | Other Benefits | |
|--|------------------|------------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Change in projected benefit obligation (PBO) | (millions) | | | |
| PBO at beginning of year | \$ 515.7 | \$ 501.5 | \$ 49.1 | \$ 52.1 |
| Service cost | 17.3 | 16.7 | 0.9 | 0.9 |
| Interest cost | 29.8 | 30.1 | 2.9 | 3.1 |
| Contribution by participants | - | - | 1.2 | 1.1 |
| Amendments | 0.6 | - | - | - |
| Actuarial loss (gain) | 33.0 | 25.1 | 3.6 | (3.2) |
| Benefits paid | (41.2) | (54.7) | (4.1) | (4.3) |
| Benefits paid by Company | (0.6) | (0.3) | (0.6) | (0.6) |
| Settlements | - | (2.7) | - | - |
| PBO at end of plan year | \$ 554.6 | \$ 515.7 | \$ 53.0 | \$ 49.1 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | \$ 370.5 | \$ 341.0 | \$ 14.7 | \$ 8.3 |
| Actual return on plan assets | 47.8 | 33.9 | 0.3 | 0.3 |
| Contributions by employer and participants | 35.1 | 50.3 | 1.3 | 10.4 |
| Benefits paid | (41.2) | (54.7) | (4.1) | (4.3) |
| Fair value of plan assets at end of plan year | \$ 412.2 | \$ 370.5 | \$ 12.2 | \$ 14.7 |
| Prepaid (accrued) benefit cost | | | | |
| Funded status | \$ (142.4) | \$ (145.2) | \$ (40.8) | \$ (34.4) |
| Unrecognized actuarial loss | 195.0 | 195.9 | 14.1 | 10.5 |
| Unrecognized prior service cost | 32.6 | 36.3 | 0.8 | 1.0 |
| Unrecognized transition obligation | 0.3 | 0.4 | 8.2 | 9.4 |
| Net prepaid (accrued) benefit cost | 85.5 | 87.4 | (17.7) | (13.5) |
| Regulatory asset, net | 14.6 | - | - | - |
| Net amount recognized at December 31 | \$ 100.1 | \$ 87.4 | \$ (17.7) | \$ (13.5) |
| Amounts recognized in the consolidated balance sheets | | | | |
| Prepaid benefit cost | \$ 98.3 | \$ 89.2 | \$ - | \$ - |
| Accrued benefit cost | (12.8) | (1.8) | (17.7) | (13.5) |
| Minimum pension liability adjustment | (74.3) | (84.2) | - | - |
| Intangible asset | 14.4 | 15.6 | - | - |
| Accumulated other comprehensive income | 59.9 | 68.6 | - | - |
| Regulatory asset, net | 14.6 | - | - | - |
| Net amount recognized in balance sheets | 100.1 | 87.4 | (17.7) | (13.5) |
| Contributions and changes after measurement date | 0.2 | 20.7 | 3.8 | - |
| Net amount recognized at December 31 | \$ 100.3 | \$ 108.1 | \$ (13.9) | \$ (13.5) |

| | Pension Benefits | | | Other Benefits | | |
|--|------------------|---------|---------|----------------|--------|--------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| Components of net periodic benefit cost | (millions) | | | | | |
| Service cost | \$ 17.3 | \$ 16.7 | \$ 15.0 | \$ 0.9 | \$ 0.9 | \$ 0.9 |
| Interest cost | 29.8 | 30.1 | 29.9 | 2.9 | 3.1 | 3.2 |
| Expected return on plan assets | (32.4) | (31.7) | (27.7) | (0.6) | (0.6) | (0.6) |
| Amortization of prior service cost | 4.3 | 4.3 | 4.3 | 0.2 | 0.2 | 0.2 |
| Recognized net actuarial loss (gain) | 18.6 | 7.7 | 1.3 | 0.5 | 0.7 | 0.6 |
| Transition obligation | 0.1 | 0.1 | 0.1 | 1.2 | 1.2 | 1.2 |
| Amendment | - | - | - | - | - | 0.1 |
| Net settlements | - | 1.8 | - | - | - | - |
| Net periodic benefit cost before regulatory adjustment | 37.7 | 29.0 | 22.9 | 5.1 | 5.5 | 5.6 |
| Regulatory adjustment | (14.6) | - | - | - | - | - |
| Net periodic benefit cost | \$ 23.1 | \$ 29.0 | \$ 22.9 | \$ 5.1 | \$ 5.5 | \$ 5.6 |

The accumulated benefit obligation (ABO) for all defined benefit pension plans was \$469.9 million and \$445.4 million at December 31, 2005 and 2004, respectively. The PBO, ABO and the fair value of plan assets at plan year-end are aggregated by funded and under funded plans in the following table.

| | 2005 | 2004 |
|--|------------|----------|
| Pension plans with the ABO in excess of plan assets | (millions) | |
| Projected benefit obligation | \$ 337.8 | \$ 309.8 |
| Accumulated benefit obligation | 280.6 | 266.1 |
| Fair value of plan assets | 204.1 | 180.0 |
| Pension plans with plan assets in excess of the ABO | | |
| Projected benefit obligation | \$ 216.8 | \$ 205.9 |
| Accumulated benefit obligation | 189.3 | 179.3 |
| Fair value of plan assets | 208.1 | 190.5 |

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the plans' investment portfolio. Assumed projected rates of return for each asset class were selected after analyzing historical experience and future expectations of the returns of various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed and adjusted for the effect of projected benefits paid from plan assets and future plan contributions.

The following tables provide the weighted-average assumptions used to determine benefit obligations and net costs.

| Weighted average assumptions used to determine the benefit obligation at plan year-end | Pension Benefits | | Other Benefits | |
|--|------------------|-------|----------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| Discount rate | 5.62% | 5.82% | 5.62% | 5.82% |
| Rate of compensation increase | 3.57% | 3.06% | 3.60% | 3.05% |

| Weighted average assumptions used to determine net costs for years ended at December 31 | Pension Benefits | | Other Benefits | |
|---|------------------|-------|----------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| Discount rate | 5.82% | 6.00% | 5.82% | 6.00% |
| Expected long-term return on plan assets | 8.75% | 9.00% | 4.26% * | 6.62% * |
| Rate of compensation increase | 3.06% | 3.30% | 3.05% | 3.25% |

* after tax

Primarily as a result of lower discount rates and historical losses in the market value of plan assets, the Company has a minimum pension liability offset by an intangible asset and OCI. The amounts recognized in Great Plains Energy's and consolidated KCP&L's balance sheets related to the minimum pension liability are detailed in the following table.

| | Great Plains Energy | | Consolidated KCP&L | |
|--------------------------------------|---------------------|---------|--------------------|---------|
| | December 31 | | December 31 | |
| | 2005 | 2004 | 2005 | 2004 |
| | (millions) | | | |
| Additional minimum pension liability | \$ 74.3 | \$ 84.2 | \$ 73.5 | \$ 79.8 |
| Intangible asset | 14.4 | 15.6 | 13.7 | 14.6 |
| Deferred taxes | 22.5 | 26.3 | 22.5 | 25.0 |
| OCI, net of tax | 37.4 | 42.3 | 37.3 | 40.2 |

Pension plan assets are managed in accordance with "prudent investor" guidelines contained in the ERISA requirements. The investment strategy supports the objective of the fund, which is to earn the highest possible return on plan assets within a reasonable and prudent level of risk. Investments are diversified across classes and within each class to minimize risks. At December 31, 2005 and 2004, respectively, the fair value of plan assets was \$412.2 million, not including a \$0.2 million contribution made after the plan year-end, and \$370.5 million, not including a \$20.7 million subsequent contribution. The asset allocation for the Company's pension plans at the end of 2005 and 2004, and the target allocation for 2006 are reported in the following table. The portfolio is periodically rebalanced to generally meet target allocation percentages.

| Asset Category | Target Allocation | Plan Assets at December 31 | |
|-------------------|-------------------|----------------------------|------|
| | | 2005 | 2004 |
| Equity securities | 61% | 61% | 59% |
| Debt securities | 27% | 26% | 31% |
| Real estate | 7% | 7% | 8% |
| Other | 5% | 6% | 2% |
| Total | 100% | 100% | 100% |

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The cost trend assumed for 2005 was 10% and is 9% for 2006. The cost trend rate will continue to decline through 2010 to the ultimate cost trend rate of 5%. The health care plan requires retirees to make monthly contributions on behalf of themselves and their dependents in an amount determined by the Company.

The effects of a one-percentage point change in the medical cost trend rates, holding all other assumptions constant, at December 31, 2005, are detailed in the following table.

| | Increase | Decrease |
|--|------------|----------|
| | (millions) | |
| Effect on total service and interest component | \$ 0.1 | \$ (0.1) |
| Effect on postretirement benefit obligation | 0.7 | (0.7) |

The Company expects to contribute \$20.0 million to the plans in 2006, which includes \$6.0 million to meet ERISA funding requirements, all of which will be paid by KCP&L. The Company will also contribute \$4.6 million to other postretirement benefit plans in 2006, \$4.3 million of which will be paid by KCP&L. The Company's funding policy is to contribute amounts sufficient to meet the ERISA minimum funding requirements plus additional amounts as considered appropriate; therefore, actual contributions may differ from expected contributions. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid through 2015.

| | Pension Benefits | Other Benefits |
|-----------|------------------|----------------|
| | (millions) | |
| 2006 | \$ 43.8 | \$ 6.0 |
| 2007 | 43.2 | 7.0 |
| 2008 | 41.8 | 7.7 |
| 2009 | 42.7 | 8.6 |
| 2010 | 45.6 | 9.3 |
| 2011-2015 | 230.3 | 57.1 |

Employee Savings Plans

Great Plains Energy has defined contribution savings plans that cover substantially all employees. The Company matches employee contributions, subject to limits. The annual cost of the plans was \$4.8 million, \$4.9 million and \$4.7 million in 2005, 2004 and 2003, respectively. Consolidated KCP&L's annual cost of the plans was approximately \$3.1 million for each of the last three years.

Strategic Energy Phantom Stock Plan

Strategic Energy had a phantom stock plan that provided incentive in the form of deferred compensation based upon the award of performance units, the value of which was related to the increase in profitability of Strategic Energy. The plan was terminated and an insignificant amount of costs were recorded in 2004. Strategic Energy's annual cost for the plan was \$4.6 million in 2003.

Cash-Based Long-Term Incentives

In 2005, Strategic Energy initiated long-term incentives designed to reward officers and key members of management with Great Plains Energy restricted stock (issued under the Company's Long-Term Incentive Plan) and a cash performance payment for achieving specific performance goals over stated periods of time, commencing January 1, 2005. The restricted stock compensation expense is discussed in Note 10. In 2005, compensation expense of \$1.6 million was recognized for the cash-based incentives.

10. EQUITY COMPENSATION

The Company's Long-Term Incentive Plan is an equity compensation plan approved by its shareholders. The Long-Term Incentive Plan permits the grant of restricted stock, stock options, limited stock appreciation rights and performance shares to officers and other employees of the Company and its subsidiaries. In accordance with the provisions of SFAS No. 123, compensation expense and

accrued dividends related to equity compensation are recognized over the stated vesting period. Forfeitures of equity compensation are recognized when incurred and previously recorded compensation expense related to the forfeited shares is reversed. The maximum number of shares of Great Plains Energy common stock that can be issued under the plan is 3.0 million. At December 31, 2005, 2.0 million shares remained available for future issuance.

Stock Options Granted 2001 – 2003

Stock options were granted under the plan at market value of the shares on the grant date. The options vest three years after the grant date and expire in ten years if not exercised. Exercise prices range from \$24.90 to \$27.73 and the weighted-average remaining contractual life at December 31, 2005 was 6 years. In accordance with the provisions of SFAS No. 123, the Company recognized an insignificant amount of compensation expense in 2005, 2004 and 2003.

The fair value for the stock options granted in 2001 – 2003 was estimated at the date of grant using the Black-Scholes option-pricing model. The option valuation model requires the input of highly subjective assumptions, primarily stock price volatility, changes in which can materially affect the fair value estimate. The weighted-average assumptions used are detailed in the following table.

| | 2003 |
|---------------------------------|---------|
| Risk-free interest rate | 4.77 % |
| Dividend yield | 6.88 % |
| Stock volatility | 22.65 % |
| Expected option life (in years) | 10 |

All stock option activity for the last three years is summarized in the following table.

| | 2005 | | 2004 | | 2003 | |
|----------------------------|----------|----------|----------|----------|-----------|----------|
| | Shares | Price* | Shares | Price* | Shares | Price* |
| Beginning balance | 195,973 | \$ 25.48 | 241,898 | \$ 25.41 | 397,000 | \$ 25.21 |
| Granted | - | - | - | - | 27,898 | 27.73 |
| Exercised | (68,000) | 25.08 | (26,000) | 24.79 | (16,000) | 26.19 |
| Forfeited | (16,518) | 26.57 | (19,925) | 25.50 | (167,000) | 25.26 |
| Ending balance | 111,455 | \$ 25.56 | 195,973 | \$ 25.48 | 241,898 | \$ 25.41 |
| Exercisable at December 31 | 95,000 | \$ 25.19 | 75,000 | \$ 25.43 | 7,000 | \$ 21.67 |

* weighted-average price

Performance Shares

The payment of performance shares is contingent upon achievement of specific performance goals over a stated period of time as approved by the Compensation and Development Committee of the Company's Board of Directors. The number of performance shares ultimately paid can vary from the number of shares initially granted depending on Company performance over stated performance periods. Performance shares have a value equal to the market value of the shares on the grant date with accruing dividends. Performance share activity for the last three years is summarized in the following table.

| | 2005 | 2004 | 2003 |
|-------------------|----------|---------|-----------|
| Beginning balance | 19,313 | 20,744 | 144,500 |
| Granted | 182,130 | - | 20,744 |
| Cancelled | - | - | (144,500) |
| Forfeited | (28,682) | (1,431) | - |
| Ending balance | 172,761 | 19,313 | 20,744 |

Compensation expense for performance shares is recognized over the performance period. In 2005, the Company recognized compensation expense of \$1.2 million and reversed an insignificant amount related to forfeited shares. The Company recognized an insignificant amount of compensation expense in 2004 and \$0.4 million in 2003. No compensation expense had been recorded related to performance shares cancelled in 2003.

Restricted Stock

Restricted stock cannot be sold or otherwise transferred by the recipient prior to vesting and has a value equal to the fair market value of the shares on the grant date. Restricted stock shares issued in 2003 totaling 57,315 vested in 2003 and were issued out of treasury stock; however, 54,436 of these shares were restricted as to transfer until December 31, 2004, but were considered vested under SFAS No. 123 because the employee's right to retain the shares of stock was not contingent upon remaining in the service of the Company and was not contingent upon achievement of performance conditions. All other restricted stock shares issued vest on a graded schedule over a stated period of time with accruing reinvested dividends. Restricted stock activity for the last three years is summarized in the following table.

| | 2005 | 2004 | 2003 |
|------------------------|----------|--------|----------|
| Beginning balance | 76,214 | 62,881 | - |
| Granted ^(a) | 79,872 | 13,333 | 120,196 |
| Vested | (25,404) | - | (57,315) |
| Forfeited | (10,716) | - | - |
| Ending balance | 119,966 | 76,214 | 62,881 |

^(a) Restricted stock shares granted in 2005 totaling 3,497 were issued out of treasury stock. Restricted stock shares issued in 2003 totaling 57,315 vested in 2003 and were issued out of treasury stock.

Compensation expense for restricted stock is recognized over the vesting period. The Company recognized compensation expense of \$1.4 million, \$0.6 million and \$1.8 million in 2005, 2004 and 2003, respectively and reversed an insignificant amount related to forfeited shares in 2005.

11. TAXES

Components of income taxes are detailed in the following tables.

| Great Plains Energy | 2005 | 2004 | 2003 |
|---|-------------|-------------|-------------|
| Current income taxes | | (millions) | |
| Federal | \$ 64.3 | \$ 19.9 | \$ 12.1 |
| State | 1.3 | 13.3 | 8.9 |
| Total | 65.6 | 33.2 | 21.0 |
| Deferred income taxes | | | |
| Federal | (4.2) | 45.8 | 23.3 |
| State | (18.8) | (15.5) | 3.5 |
| Total | (23.0) | 30.3 | 26.8 |
| Investment tax credit amortization | (3.9) | (4.0) | (4.0) |
| Total income tax expense | 38.7 | 59.5 | 43.8 |
| Less: taxes on discontinued operations (Note 8) | | | |
| Current tax benefit | (1.0) | (5.0) | (31.1) |
| Deferred tax (benefit) expense | - | 10.0 | (3.7) |
| Income taxes on continuing operations | \$ 39.7 | \$ 54.5 | \$ 78.6 |

| Consolidated KCP&L | 2005 | 2004 | 2003 |
|---|-------------|-------------|-------------|
| Current income taxes | | (millions) | |
| Federal | \$ 79.9 | \$ 39.2 | \$ 26.1 |
| State | 5.6 | 6.7 | 5.7 |
| Total | 85.5 | 45.9 | 31.8 |
| Deferred income taxes | | | |
| Federal | (14.3) | 22.2 | 37.1 |
| State | (19.1) | (11.3) | 6.8 |
| Total | (33.4) | 10.9 | 43.9 |
| Investment tax credit amortization | (3.9) | (4.0) | (4.0) |
| Total income tax expense | 48.2 | 52.8 | 71.7 |
| Less: taxes on discontinued operations (Note 8) | | | |
| Current tax (benefit) expense | - | - | (21.5) |
| Deferred tax expense | - | - | 9.7 |
| Income taxes on continuing operations | \$ 48.2 | \$ 52.8 | \$ 83.5 |

Income Tax Expense and Effective Income Tax Rates

Income tax expense and the effective income tax rates reflected in continuing operations in the financial statements and the reasons for their differences from the statutory federal rates are detailed in the following tables.

| Great Plains Energy | Income Tax Expense | | | Income Tax Rate | | |
|--|---------------------------|-------------|-------------|------------------------|-------------|-------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| | | (millions) | | | | |
| Federal statutory income tax | \$ 71.4 | \$ 79.8 | \$ 93.9 | 35.0 % | 35.0 % | 35.0 % |
| Differences between book and tax depreciation not normalized | 2.3 | 1.4 | 3.9 | 1.1 | 0.6 | 1.5 |
| Amortization of investment tax credits | (3.9) | (4.0) | (4.0) | (1.9) | (1.7) | (1.5) |
| Federal income tax credits | (10.0) | (12.8) | (14.4) | (4.9) | (5.6) | (5.4) |
| State income taxes | 2.7 | 7.9 | 8.2 | 1.3 | 3.5 | 3.0 |
| Changes in uncertain tax positions, net | (7.9) | (3.4) | 12.0 | (3.9) | (1.5) | 4.5 |
| Rate changes on deferred taxes | (11.7) | (8.6) | - | (5.8) | (3.8) | - |
| Valuation allowance | - | 0.5 | (15.8) | - | 0.2 | (5.9) |
| Other | (3.2) | (6.3) | (5.2) | (1.4) | (2.8) | (1.9) |
| Total | \$ 39.7 | \$ 54.5 | \$ 78.6 | 19.5 % | 23.9 % | 29.3 % |

| Consolidated KCP&L | Income Tax Expense | | | Income Tax Rate | | |
|--|---------------------------|-------------|-------------|------------------------|-------------|-------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| | | (millions) | | | | |
| Federal statutory income tax | \$ 67.1 | \$ 68.6 | \$ 73.3 | 35.0 % | 35.0 % | 35.0 % |
| Differences between book and tax depreciation not normalized | 2.3 | 1.4 | 3.9 | 1.2 | 0.7 | 1.9 |
| Amortization of investment tax credits | (3.9) | (4.0) | (4.0) | (2.0) | (2.0) | (1.9) |
| State income taxes | 4.2 | 7.0 | 7.1 | 2.2 | 3.6 | 3.4 |
| Changes in uncertain tax positions, net | (1.7) | (2.7) | 3.9 | (0.9) | (1.4) | 1.9 |
| Rate changes on deferred taxes | (11.7) | (8.6) | - | (6.1) | (4.4) | - |
| Allocation of parent company tax benefits | (5.4) | (5.9) | - | (2.8) | (3.0) | - |
| Other | (2.7) | (3.0) | (0.7) | (1.5) | (1.5) | (0.4) |
| Total | \$ 48.2 | \$ 52.8 | \$ 83.5 | 25.1 % | 27.0 % | 39.9 % |

During 2005, Great Plains Energy and consolidated KCP&L's income tax expense decreased by \$7.5 million and \$6.3 million, respectively, due to the favorable impact of sustained audited positions on the companies' composite tax rates. Great Plains Energy's income tax expense was also reduced by \$5.7 million due to events during 2005 that strengthened the probability of sustaining tax deductions taken on previously filed tax returns.

SFAS No. 109 requires the companies to adjust deferred tax balances to reflect tax rates that are anticipated to be in effect when the differences reverse. The largest component of the companies' decreases in effective income tax rates in 2005 and 2004 was the result of adjusting KCP&L's deferred tax balance to its lower composite tax rate due to the impact of sustained audited positions and state tax planning. The impact of the composite tax rate reductions on the deferred tax balances resulted in tax benefits for Great Plains Energy and consolidated KCP&L of \$11.7 million in 2005 and \$8.6 million in 2004.

Deferred Income Taxes

The tax effects of major temporary differences resulting in deferred income tax assets (liabilities) in the consolidated balance sheets are in the following tables.

| December 31 | Great Plains Energy | | Consolidated KCP&L | |
|--|---------------------|------------|--------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Current deferred income taxes | (millions) | | | |
| Nuclear fuel outage | \$ 3.4 | \$ 5.1 | \$ 3.4 | \$ 5.1 |
| Derivative instruments | (11.2) | (1.2) | - | 0.1 |
| Accrued vacation | 4.7 | 4.5 | 4.7 | 3.8 |
| Other | 1.8 | 4.7 | 0.8 | 3.8 |
| Net current deferred income tax asset (liability) | (1.3) | 13.1 | 8.9 | 12.8 |
| Noncurrent deferred income taxes | | | | |
| Plant related | (554.2) | (556.5) | (554.2) | (556.5) |
| Income taxes on future regulatory recoveries | (85.7) | (81.0) | (85.7) | (81.0) |
| Derivative instruments | (11.1) | (0.5) | (4.5) | - |
| Pension and postretirement benefits | (8.0) | (9.0) | (8.4) | (9.2) |
| Storm related costs | (1.9) | (3.7) | (1.9) | (3.7) |
| Debt issuance costs | (2.7) | (2.8) | (2.7) | (2.8) |
| Gas properties related | (1.3) | (3.4) | - | - |
| SO ₂ emission allowance sales | 24.2 | 1.3 | 24.2 | 1.3 |
| Tax credit carryforwards | 16.0 | 23.7 | - | - |
| Alternative minimum tax credit carryforward | - | 4.1 | - | - |
| State net operating loss carryforward | 0.5 | 0.5 | - | - |
| Other | 3.3 | (4.4) | 6.2 | (2.1) |
| Net noncurrent deferred tax liability before valuation allowance | (620.9) | (631.7) | (627.0) | (654.0) |
| Valuation allowance | (0.5) | (0.5) | - | - |
| Net noncurrent deferred tax liability | (621.4) | (632.2) | (627.0) | (654.0) |
| Net deferred income tax liability | \$ (622.7) | \$ (619.1) | \$ (618.1) | \$ (641.2) |

| December 31 | Great Plains Energy | | Consolidated KCP&L | |
|---------------------------------------|---------------------|------------|--------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Gross deferred income tax assets | \$ 120.3 | \$ 144.3 | \$ 100.3 | \$ 120.8 |
| Gross deferred income tax liabilities | (743.0) | (763.4) | (718.4) | (762.0) |
| Net deferred income tax liability | \$ (622.7) | \$ (619.1) | \$ (618.1) | \$ (641.2) |

Tax Credit Carryforwards

At December 31, 2005, the Company had \$16.0 million of state income tax credit carryforwards. These credits relate primarily to the Company's Missouri affordable housing investment portfolio, and the carryforwards expire in years 2008 to 2010. Management believes the credits will be fully utilized within the carryforward period.

Net Operating Loss Carryforwards

At December 31, 2004, KLT Inc. and subsidiaries had Kansas state net operating loss carryforwards of \$10.0 million primarily resulting from losses associated with DTI. KLT Inc. and subsidiaries moved its corporate headquarters to Missouri in 2003, and as a result, will not have sufficient presence in Kansas to utilize the losses. The Kansas state net operating loss carryforwards expire in years 2011 to 2012. In 2004, management determined that the loss carryforwards will more likely than not expire unutilized and has provided a valuation allowance against the entire \$0.5 million deferred state income tax benefit.

Uncertain Tax Positions

Management evaluates and records tax liabilities for uncertain tax positions based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

At December 31, 2005 and 2004, the Company had \$4.6 million and \$13.4 million, respectively, of liabilities for uncertain tax positions related to tax deductions or income positions taken on the Company's tax returns. Consolidated KCP&L had liabilities of \$1.2 million and \$3.7 million at December 31, 2005 and 2004, respectively. Management believes the tax deductions or income positions are properly treated on such tax returns, but has recorded reserves based upon its assessment of the probabilities that certain deductions or income positions may not be sustained when the returns are audited. The tax returns containing these tax deductions or income positions are currently under audit or will likely be audited. The timing of the resolution of these audits is uncertain. If the positions are ultimately sustained, the Company will reverse these tax provisions to net income. If the positions are not ultimately sustained, the Company may be required to make cash payments plus interest and/or utilize the Company's federal and state credit carryforwards. During 2005, the Company reversed \$9.2 million of previously recorded liabilities for uncertain tax positions primarily due to sustained audited tax positions and the occurrence of events that strengthen the probability of successfully defending deductions taken on its tax returns. During 2005, consolidated KCP&L reversed \$2.0 million of tax liabilities for uncertain tax positions.

Internal Revenue Service Settlement

In November 2002, KCP&L accepted a settlement offer related to the proposed disallowance of interest deductions on corporate-owned life insurance (COLI) loans. The offer allowed 20% of the interest originally deducted and taxed only 20% of the gain on surrender of the COLI policies. KCP&L surrendered the policies in February 2003. KCP&L paid \$1.3 million to the IRS in 2003 to satisfy the liability associated with the surrender. In December 2004, KCP&L settled the 1995-1999 IRS audit and paid tax of \$7.3 million and interest of \$4.2 million related to the disallowed COLI interest deduction. KCP&L accrued for these payments in 2000.

In addition to COLI, as part of the settlement of the 1995-1999 IRS audit, consolidated KCP&L agreed to additional tax of \$6.9 million and interest of \$5.9 million related primarily to timing differences. This settlement did not have a significant impact on consolidated KCP&L's net income because the liability had been previously recorded in the liabilities for uncertain tax positions or had offsetting impacts on deferred taxes.

12. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

Consolidated KCP&L receives various support and administrative services from Services. These services are billed to consolidated KCP&L at cost, based on payroll and other expenses, incurred by Services for the benefit of consolidated KCP&L. These costs totaled \$42.6 million, \$62.7 million and \$45.2 million for 2005, 2004 and 2003, respectively. These costs consisted primarily of employee compensation, benefits and fees associated with various professional services. At December 31, 2005 and 2004, consolidated KCP&L had a net intercompany payable to Services of \$3.5 million and \$9.2 million, respectively. In 2005, approximately 80% of Services' employees were transferred to KCP&L to better align resources with the operating business.

13. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company is subject to regulation by federal, state and local authorities with regard to air and other environmental matters primarily through KCP&L's operations. The generation, transmission and distribution of electricity produces and requires disposal of certain hazardous products that are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. Failure to comply with these laws and regulations could have a material adverse effect on consolidated KCP&L and Great Plains Energy.

KCP&L operates in an environmentally responsible manner and seeks to use current technology to avoid and treat contamination. KCP&L regularly conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. At December 31, 2005 and 2004, KCP&L had \$0.3 million accrued for environmental remediation expenses. The accrual covers water monitoring at one site. The amounts accrued were established on an undiscounted basis and KCP&L does not currently have an estimated time frame over which the accrued amounts may be paid out.

Environmental-related legislation is continuously introduced in Congress. Such legislation typically includes various compliance dates and compliance limits. Such legislation could have the potential for a significant financial impact on KCP&L, including the installation of new pollution control equipment to achieve compliance. However, KCP&L would seek recovery of capital costs and expenses for such compliance through rates. KCP&L will continue to monitor proposed legislation.

The following table contains estimates of expenditures to comply with environmental laws and regulations described below. The allocation between states is based on location of the facilities and has no bearing as to recovery in jurisdictional rates.

| Clean Air Estimated Required Environmental Expenditures | Missouri | Kansas (millions) | Total | Estimated Timetable |
|---|-------------|----------------------|-------------|------------------------|
| CAIR | \$395 - 575 | \$ - | \$395 - 575 | 2005 - 2015 |
| Incremental BART | 55 - 85 | 225 - 325 | 280 - 410 | 2005 - 2013 |
| Incremental CAMR | 48 - 70 | 4 - 6 | 52 - 76 | 2010 - 2018 |
| Comprehensive energy plan retrofits | (171) | (101) | (272) | 2006 - 2008 |
| Estimated required environmental expenditures in excess of the comprehensive energy plan retrofits | \$327 - 559 | \$128 - 230 | \$455 - 789 | |

Expenditure estimates provided in the table above include, but are not limited to, the accelerated environmental upgrade expenditures included in the MPSC and KCC orders discussed in Note 5.

These expenditures are expected to reduce SO₂, NO_x, mercury and air particulate matter. KCP&L's expectation is that any such expenditures will be recovered through rates.

Clean Air Interstate Rule

The Environmental Protection Agency (EPA) Clean Air Interstate Rule (CAIR) requires reductions in SO₂ and NO_x emissions in 28 states, including Missouri, and became effective July 11, 2005. The reduction in both SO₂ and NO_x emissions will be accomplished through establishment of permanent statewide caps for NO_x effective January 1, 2009, and SO₂ effective January 1, 2010. More restrictive caps will be effective on January 1, 2015. KCP&L's coal-fired plants located in Missouri are subject to CAIR, while its coal-fired plants in Kansas are not.

KCP&L expects to meet the emissions reductions required by CAIR at its Missouri plants through a combination of pollution control capital projects and the purchase of emission allowances in the open market as needed. The final rule establishes a market-based cap-and-trade program. Missouri will establish an emission allowance allocation mechanism through a State Implementation Plan (SIP) that is expected to be issued by December 2006. Facilities will demonstrate compliance with CAIR by holding sufficient allowances for each ton of SO₂ and NO_x emitted in any given year with SO₂ emission allowances transferable among all regulated facilities nationwide and NO_x emission allowances transferable among all regulated facilities within the 28 CAIR states. KCP&L will also be allowed to utilize unused SO₂ emission allowances that it has banked from previous years of the Acid Rain Program to meet the more stringent CAIR requirements. At December 31, 2005, KCP&L had over 125,000 tons of SO₂ emission allowances, which are recorded in inventory at zero cost. KCP&L is permitted to sell excess SO₂ emission allowances in accordance with KCP&L's comprehensive energy plan as approved by the MPSC and KCC. During 2005, KCP&L sold SO₂ emission allowances for proceeds of \$61.0 million. See Note 5 for more information.

Analysis of the final rule indicates that selective catalytic reduction technology for NO_x control and scrubbers for SO₂ control will likely be required for KCP&L's Montrose station, in addition to the environmental upgrades at latan No. 1 included in the comprehensive energy plan. The timing of the installation of such control equipment is currently being developed. KCP&L continues to refine the preliminary cost estimates detailed in the table above and explore alternatives. The ultimate cost of these regulations could be significantly different from the amounts estimated. As discussed below, certain of the control technology for SO₂ and NO_x will also aid in the control of mercury.

Best Available Retrofit Technology Rule

In 2005, the EPA published regulations on best available retrofit technology (BART) that amended its July 1999 regional haze regulations regarding emission controls for industrial facilities emitting air pollutants that reduce visibility. The BART regulations apply to specific eligible facilities and were effective September 6, 2005. KCP&L coal-fired plants on the BART eligible list include LaCygne Nos. 1 and 2 in Kansas and latan No. 1 and Montrose No. 3 in Missouri. The CAIR suggests that states in CAIR that meet the CAIR requirement may also meet BART requirements for individual sources. Missouri is considering this proposal as part of the CAIR SIP, but no final decision has been reached. Kansas is not a CAIR state and therefore BART will likely impact LaCygne Nos. 1 and 2. The BART rule directs state air quality agencies to identify whether emissions from sources subject to BART are below limits set by the state, or whether retrofit measures are needed to reduce emissions. States must submit a BART implementation plan in 2007 with required emission controls. If emission controls to comply with BART are required at LaCygne Nos. 1 and 2, additional capital expenditures will be required. KCP&L continues to refine its preliminary cost estimates detailed in the table above and explore alternatives. The ultimate cost of these regulations could be significantly different from the amounts estimated.

Mercury Emissions

In 2000, the National Research Council published its findings of a study under the Clean Air Act, which stated that power plants that burn fossil fuels, particularly coal, generate the greatest amount of mercury emissions from man-made sources. In 2005, the EPA reversed its December 2000 finding that it was "appropriate and necessary" to regulate fossil fuel-fired power plants under section 112 of the Clean Air Act, concluding that the earlier finding lacked foundation and that recent information demonstrates that it is not appropriate or necessary to regulate fossil fuel-fired power plants under section 112. The EPA therefore removed coal- and oil-fired power plants from the section 112(c) list. Under section 112 of the Clean Air Act, the EPA would have been required to issue Maximum Available Control Technology standards for affected facilities and would have been prohibited from using cap and trade provisions for achieving compliance.

In 2005, the EPA published the Clean Air Mercury Rule (CAMR), which regulates mercury emissions from coal-fired power plants located in 48 states, including Kansas and Missouri, under the New Source Performance Standards of the Clean Air Act. The rule was effective July 18, 2005, and established a market-based cap-and-trade program that will reduce nationwide utility emissions of mercury in two phases. The first phase cap is effective January 1, 2010, and will establish a permanent nationwide cap of 38 tons of mercury for coal-fired power plants. Management anticipates meeting the first phase cap by taking advantage of KCP&L's mercury reductions achieved through capital expenditures to comply with CAIR and BART. The second phase is effective January 1, 2018, and will establish a permanent nationwide cap of 15 tons of mercury for coal-fired power plants. When fully implemented, the rule will reduce utility emissions of mercury by nearly 70% from current emissions of 48 tons per year.

Facilities will demonstrate compliance with the standard by holding allowances for each ounce of mercury emitted in any given year and allowances will be readily transferable among all regulated facilities nationwide. Under the cap-and-trade program, KCP&L will be able to purchase mercury allowances or elect to install pollution control equipment to achieve compliance. While it is expected that mercury allowances will be available in sufficient quantities for purchase in the 2010-2018 timeframe, the significant reduction in the nationwide cap in 2018 may hamper KCP&L's ability to obtain reasonably priced allowances beyond 2018. Management expects capital expenditures will be required to install additional pollution control equipment to meet the second phase cap. During the ensuing years, management will closely monitor advances in technology for removal of mercury from Powder River Basin (PRB) coal and expects to make decisions regarding second phase removal based on then available technology to meet the 2018 compliance date. The ultimate cost of this rule could be significantly different from the amounts estimated in the table above. KCP&L is a participant in the DOE project at the Sunflower Electric Holcomb plant to investigate control technology options for mercury removal from coal-fired plants burning sub-bituminous coal.

In 2005, the EPA agreed to reconsider certain aspects of the rule and to invite additional comments on certain aspects of the rule. However, in its reconsideration notice, the EPA reiterated its position that the methodology used for the risk analysis performed to justify the CAMR is sound and scientifically justified. Comments were due in December 2005. The EPA's actions to de-list mercury under section 112 of the Clean Air Act and issue CAMR remain controversial and subject to challenge.

Carbon Dioxide

At a December 1997 meeting in Kyoto, Japan, delegates from 167 nations, including the U.S., agreed to a treaty (Kyoto Protocol) that would require a 7% reduction in U.S. CO₂ emissions below 1990 levels, a nearly 30% cut from current levels. In 2001, the Bush administration announced it will not negotiate implementation of the Kyoto Protocol and it will not send the Kyoto Protocol to the U.S. Senate for ratification.

In 2002, President Bush unveiled his Clear Skies Initiative, which included a climate change policy. The climate change policy is a voluntary program that relies heavily on incentives to encourage industry to voluntarily limit emissions. The strategy includes tax credits, energy conservation programs, funding for research into new technologies, and a plan to encourage companies to track and report their emissions so that companies could gain credits for use in any future emissions trading program. The greenhouse strategy links growth in emissions of greenhouse gases to economic output. The administration's strategy is intended to reduce the greenhouse gas intensity of the U.S. economy by 18% over the next 10 years. Greenhouse gas intensity measures the ratio of greenhouse gas emissions to economic output as measured by Gross Domestic Product (GDP). Under this plan, as the economy grows, greenhouse gases also would continue to grow, although at a slower rate than they would have without these policies in place. When viewed per unit of economic output, the rate of emissions would drop. The plan projects that the U.S. would lower its rate of greenhouse gas emissions from an estimated 183 metric tons per \$1 million of GDP in 2002 to 151 metric tons per \$1 million of GDP by 2012.

In 2002, KCP&L joined the Power Partners through Edison Electric Institute (EEI). Power Partners is a voluntary program with the DOE under which utilities commit to undertake measures to reduce, avoid or sequester CO₂ emissions. In 2003, the EEI sent a letter to numerous Administration officials, in which the EEI committed to work with the government over the next decade to reduce the power sector's CO₂ emissions per kWh generated (carbon intensity) by the equivalent of 3% to 5% of the current level. In 2004, Power Partners entered into a cooperative umbrella memorandum of understanding (MOU) with the DOE. This MOU contains supply and demand-side actions as well as offset projects that will be undertaken to reduce the power sector's CO₂ emissions per kWh generated over the next decade consistent with the EEI commitment of 3% to 5%.

Air Particulate Matter and Ozone

In 1997, the EPA revised ozone and particulate matter air quality standards creating a new eight-hour ozone standard and establishing a new standard for particulate matter less than 2.5 microns (PM-2.5) in diameter. In 2004, the EPA designated the Kansas City area as attainment with respect to the PM-2.5 National Ambient Air Quality Standards (NAAQS). In 2005, the EPA published a final rule that designated Jackson, Platte, Clay and Cass counties in Missouri and Johnson, Linn, Miami and Wyandotte counties in Kansas as attainment with respect to the eight-hour ozone NAAQS effective June 2, 2005.

Water Use Regulations

In 2004, the EPA finalized the Phase II rule implementing Section 316(b) of the Clean Water Act establishing standards for cooling water intake structures at existing facilities. This final regulation is applicable to certain existing power producing facilities that employ cooling water intake structures that withdraw 50 million gallons or more per day and use 25% or more of that water for cooling purposes. KCP&L is required to complete a Section 316(b) comprehensive demonstration study on each of its generating facilities' intake structures by the end of 2007, the studies are expected to cost a total of \$1.2 million to \$2.0 million. Depending on the outcome of the comprehensive demonstration studies, facilities may be required to implement technological, operational or restoration measures to achieve compliance. Compliance with the final rule is expected to be achieved between 2011 and 2014. Until the Section 316(b) comprehensive demonstration studies are completed, the impact of this final rule cannot be quantified.

Contractual Commitments

Great Plains Energy's and consolidated KCP&L's expenses related to lease commitments are detailed in the following table.

| | 2005 | 2004 | 2003 |
|--|------------|---------|---------|
| | (millions) | | |
| Consolidated KCP&L | \$ 19.4 | \$ 18.4 | \$ 23.1 |
| Other Great Plains Energy ^(a) | 1.4 | 1.9 | 1.0 |
| Total Great Plains Energy | \$ 20.8 | \$ 20.3 | \$ 24.1 |

^(a) Includes insignificant amounts related to discontinued operations.

Great Plains Energy's and consolidated KCP&L's contractual commitments at December 31, 2005, excluding pensions and long-term debt are detailed in the following tables.

Great Plains Energy Contractual Commitments

| | 2006 | 2007 | 2008 | 2009 | 2010 | After 2010 | Total |
|-------------------------------|------------|----------|----------|---------|---------|------------|------------|
| | (millions) | | | | | | |
| Lease commitments | \$ 17.1 | \$ 15.4 | \$ 14.9 | \$ 10.7 | \$ 8.4 | \$ 91.0 | \$ 157.5 |
| Purchase commitments | | | | | | | |
| Fuel ^(a) | 107.9 | 99.9 | 91.5 | 46.0 | 32.3 | 37.7 | 415.3 |
| Purchased capacity | 5.4 | 6.8 | 7.8 | 8.2 | 5.4 | 18.6 | 52.2 |
| Purchased power | 423.4 | 135.6 | 46.4 | 21.8 | 18.0 | - | 645.2 |
| Other | 33.6 | 5.6 | 2.9 | - | - | - | 42.1 |
| Total contractual commitments | \$ 587.4 | \$ 263.3 | \$ 163.5 | \$ 86.7 | \$ 64.1 | \$ 147.3 | \$ 1,312.3 |

^(a) Fuel commitments consists of commitments for nuclear fuel, coal and coal transportation costs.

Consolidated KCP&L Contractual Commitments

| | 2006 | 2007 | 2008 | 2009 | 2010 | After 2010 | Total |
|-------------------------------|------------|----------|----------|---------|---------|------------|----------|
| | (millions) | | | | | | |
| Lease commitments | \$ 15.9 | \$ 14.4 | \$ 14.0 | \$ 10.5 | \$ 8.4 | \$ 91.0 | \$ 154.2 |
| Purchase commitments | | | | | | | |
| Fuel ^(a) | 107.9 | 99.9 | 91.5 | 46.0 | 32.3 | 37.7 | 415.3 |
| Purchased capacity | 5.4 | 6.8 | 7.8 | 8.2 | 5.4 | 18.6 | 52.2 |
| Other | 33.6 | 5.6 | 2.9 | - | - | - | 42.1 |
| Total contractual commitments | \$ 162.8 | \$ 126.7 | \$ 116.2 | \$ 64.7 | \$ 46.1 | \$ 147.3 | \$ 663.8 |

^(a) Fuel commitments consists of commitments for nuclear fuel, coal and coal transportation costs.

Lease commitments end in 2028 and include insignificant amounts for capital leases. As the managing partner of three jointly owned generating units, KCP&L has entered into leases for railcars to serve those units. Consolidated KCP&L has reflected the entire lease commitment in the above amounts, although the other owners will reimburse approximately \$2.0 million per year (\$22.7 million total).

KCP&L purchases capacity from other utilities and nonutility suppliers. Purchasing capacity provides the option to purchase energy if needed or when market prices are favorable. KCP&L has capacity sales agreements not included above that total \$11.4 million for 2006, \$11.2 million per year for 2007 through 2010 and \$12.3 million after 2010.

Purchased power represents Strategic Energy's agreements to purchase electricity at various fixed prices to meet estimated supply requirements. Strategic Energy has energy sales contracts not included above for 2006 and 2007 totaling \$41.1 million and \$4.2 million, respectively.

Synthetic Lease

In 2001, KCP&L entered into a synthetic lease arrangement with a Lease Trust (Lessor) to finance the purchase, installation, assembly and construction of five combustion turbines and related property and equipment that added 385 MWs of peaking capacity. Rental payments under the lease, which reflects interest payments only, began in 2004 and were to end in October 2006. KCP&L exercised its early termination option in 2005 and purchased the leased property for \$154.0 million. KCP&L's expense for the synthetic lease was \$2.0 million and \$1.9 million in 2005 and 2004, respectively.

The Lease Trust, a special purpose entity, acting as Lessor in the synthetic lease arrangement discussed above, was considered a variable interest entity under FIN No. 46. Because KCP&L had variable interests in the Lease Trust, including among other things, a residual value guarantee provided to the Lessor, KCP&L was the primary beneficiary of the Lease Trust. The Lease Trust was consolidated in 2003, as required by FIN No. 46. As a result, Great Plains Energy's and consolidated KCP&L's depreciation expense increased \$1.9 million, \$5.1 million and \$1.3 million in 2005, 2004 and 2003, respectively, with offsetting recognition of minority interest.

14. GUARANTEES

In the normal course of business, Great Plains Energy and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees and indemnification of letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended business purposes. The majority of these agreements guarantee the Company's own future performance, so a liability for the fair value of the obligation is not recorded.

At December 31, 2005, KCP&L had guaranteed, with a maximum potential of \$3.9 million, energy savings under an agreement with a customer that expires over the next four years. A subcontractor would indemnify KCP&L for any payments made by KCP&L under this guarantees. This guarantee was entered into before December 31, 2002; therefore, a liability was not recorded in accordance with FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others."

15. LEGAL PROCEEDINGS**Union Pacific**

In 2005, KCP&L filed a rate complaint case with the Surface Transportation Board (STB) charging that Union Pacific Railroad Company's (Union Pacific) rates for transporting coal from the PRB in Wyoming to KCP&L's Montrose Station are unreasonably high. Prior to the end of 2005, the rates were established under a contract with Union Pacific. Efforts to extend the term of the contract were unsuccessful and Union Pacific is the only service for coal transportation from the PRB to Montrose Station. KCP&L charged that Union Pacific possesses market dominance over the traffic and requested the STB prescribe maximum reasonable rates. Management anticipates filing opening evidence by mid-year 2006 and the STB issuing its decision toward the end of 2007. Until the STB case is finalized, KCP&L is paying tariff rates subject to refund.

Framatome

In 2005, WCNOG filed a lawsuit on behalf of itself, KCP&L and the other two Wolf Creek owners against Framatome ANP, Inc., and Framatome ANP Richland, Inc. (Framatome) in the District Court of Coffey County, Kansas. The suit alleges various claims against Framatome related to the design, licensing and installation of a digital control system. The suit seeks recovery of approximately \$16 million in damages from Framatome. Framatome removed the case to U.S. District Court for the

District of Kansas. Thereafter, the plaintiffs filed a motion to remand the case back to Coffey County District Court. The federal court has not yet decided that motion. Framatome has not yet filed its answer in the lawsuit.

Hawthorn No. 5 Subrogation Litigation

KCP&L filed suit in 2001, in Jackson County, Missouri Circuit Court against multiple defendants who are alleged to have responsibility for the 1999 Hawthorn No. 5 boiler explosion. KCP&L and National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union) have entered into a subrogation allocation agreement under which recoveries in this suit are generally allocated 55% to National Union and 45% to KCP&L. Certain defendants have been dismissed from the suit and various defendants settled, with KCP&L receiving a total of \$38.2 million, of which \$18.5 million was recorded as a recovery of capital expenditures. Trial of this case with the one remaining defendant resulted in a March 2004 jury verdict finding KCP&L's damages as a result of the explosion were \$452 million. After deduction of amounts received from pre-trial settlements with other defendants and an amount for KCP&L's comparative fault (as determined by the jury), the verdict would have resulted in an award against the defendant of approximately \$97.6 million (of which KCP&L would have received \$33 million pursuant to the subrogation allocation agreement after payment of attorney's fees). In response to post-trial pleadings filed by the defendant, in 2004, the trial judge reduced the award against the defendant to \$0.2 million. Both KCP&L and the defendant have appealed this case to the Court of Appeals for the Western District of Missouri. Oral arguments are expected in the first quarter of 2006.

KCP&L has received \$204.8 million in insurance recoveries related to property destroyed in the 1999 explosion at the Hawthorn No. 5 generating unit. Recoveries received related to property destroyed and subrogation settlements recorded as a recovery of capital expenditures have been recorded as an increase in accumulated depreciation.

Spent Nuclear Fuel and Radioactive Waste

In 2004, KCP&L and the other two Wolf Creek owners filed suit against the United States in the U.S. Court of Federal Claims seeking an unspecified amount of monetary damages resulting from the government's failure to begin accepting spent fuel for disposal in January 1998, as the government was required to do by the Nuclear Waste Policy Act of 1982. Approximately sixty other similar cases are pending before that court. The court has stayed the Wolf Creek case until at least October 2006 to allow for some of the earlier cases to be decided first. Another federal court already has determined that the government breached its obligation to begin accepting spent fuel for disposal. The questions now before the court in the pending cases are whether and to what extent the utilities are entitled to monetary damages for that breach. KCP&L management cannot predict the outcome of the Wolf Creek case.

Haberstroh

In 2004, Robert C. Haberstroh filed suit for breach of employment contract and violation of the Pennsylvania Wage Payment Collection Act against Strategic Energy Partners, Ltd. (Partners), SE Holdings, L.L.C. (SE Holdings) and Strategic Energy in the Court of Common Pleas of Allegheny County, Pennsylvania. Mr. Haberstroh claims that he acquired an equity interest in Partners under the terms of his employment agreement and that through a series of transactions, Mr. Haberstroh's equity interest became an equity interest in SE Holdings. In 2001, Mr. Haberstroh's employment was terminated and SE Holdings redeemed his equity interest. Mr. Haberstroh is seeking the loss of his non-equity compensation (including salary, bonus and benefits) and equity compensation and associated distributions (his equity interest in SE Holdings).

Strategic Energy has filed a counterclaim against Mr. Haberstroh for breach of contract. SE Holdings, and its direct and indirect owners, have agreed to indemnify Strategic Energy and IEC against any judgment or settlement of Mr. Haberstroh's claim that relates to his alleged equity interest in SE

Holdings, up to approximately \$8 million plus any dividends or interest received in relation to his alleged interest.

Class Action Complaint

In 2005, a class action complaint for breach of contract was filed against Strategic Energy. The plaintiffs purportedly represent the interests of customers in Pennsylvania who entered into Power Supply Coordination Service Agreements (Agreement) for the bundled product in Pennsylvania. The complaint seeks monetary damages, attorney fees and costs and a declaration that the customers may terminate their Agreement with Strategic Energy. Strategic Energy has filed preliminary objections asking the court to order plaintiffs to file an amended complaint that conforms to applicable court rules.

KLT Telecom

On December 31, 2001, a subsidiary of KLT Telecom Inc. (KLT Telecom), DTI Holdings, Inc. (Holdings) and its subsidiaries Digital Teleport Inc. (Digital Teleport) and Digital Teleport of Virginia, Inc., filed separate voluntary petitions in the Bankruptcy Court for the Eastern District of Missouri for reorganization under Chapter 11 of the U.S. Bankruptcy Code. DTI Holdings and its two subsidiaries are collectively called "DTI." In 2003, the Bankruptcy Court confirmed the plan of reorganization for these three companies, which included the sale of substantially all assets. KLT Telecom received \$19.2 million in 2003 related to the confirmation of the DTI bankruptcy.

KLT Telecom originally acquired a 47% interest in DTI in 1997. On February 8, 2001, KLT Telecom acquired control of DTI by purchasing shares from another Holdings shareholder, Richard D. Weinstein (Weinstein), increasing its ownership to 83.6%. In connection with this purchase, KLT Telecom granted Weinstein a put option. The put option provided for the sale by Weinstein of his remaining shares in Holdings to KLT Telecom during a period beginning September 1, 2003, and ending August 31, 2005. The put option provides for an aggregate exercise price for these remaining shares equal to their fair market value with an aggregate floor amount of \$15 million. The floor amount of the put option was fully reserved during 2001. On September 2, 2003, Weinstein delivered to KLT Telecom notice of the exercise of his put option. KLT Telecom declined to pay Weinstein any amount under the put option because, among other things, the stock of Holdings had been cancelled and extinguished pursuant to the joint Chapter 11 plan confirmed by the Bankruptcy Court. Weinstein has sued KLT Telecom for allegedly breaching the put option and seeks damages of at least \$15 million plus statutory interest. In April 2005, summary judgment in the Weinstein litigation was granted in favor of KLT Telecom, and Weinstein has appealed this judgment to the Missouri Court of Appeals for the Eastern District. The \$15 million reserve has not been reversed pending the outcome of the appeal process, which management expects will conclude in early 2006.

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations associated with tangible long-lived assets are those for which a legal obligation exists under enacted laws, statutes and written or oral contracts, including obligations arising under the doctrine of promissory estoppel. These liabilities are recognized at estimated fair value as incurred and capitalized as part of the cost of the related long-lived assets and depreciated over their useful lives. Accretion of the liabilities due to the passage of time is recorded as an operating expense. Changes in the estimated fair values of the liabilities are recognized when known.

In 2005, FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN No. 47 clarifies the term conditional ARO, as used in SFAS No. 143. Conditional ARO refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Under FIN No. 47, an entity is required to recognize a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. Great Plains Energy and consolidated KCP&L adopted the provisions of FIN No. 47 for the year ended December 31, 2005.

KCP&L management determined AROs exist for asbestos in certain fossil fuel plants and for an ash pond and landfill. The additional AROs at December 31, 2005, totaled \$8.4 million for remediation of asbestos and \$7.0 million for the remediation of the ash pond and landfill. The AROs were derived from third party and internal engineering estimates. To estimate the AROs, KCP&L used a credit-adjusted risk free discount rate of 5.6% for 12.5-year assets, 5.89% for 19.5-year asset and 6.12% for 29.5-year assets. The estimated rate was based on the rate KCP&L could issue bonds for the specific period.

In recording the AROs, net utility plant was increased by \$2.2 million. KCP&L is a regulated utility subject to the provisions of SFAS No. 71 and management believes it is probable any differences between expense under SFAS No. 143 and expense recovered currently in rates will be recoverable in future rates. As a result, the \$13.2 million net effect of adopting FIN No. 47 was recorded as a regulatory asset; therefore, it had no impact on net income.

During 2005, KCP&L also recorded an addition to its ARO to decommission Wolf Creek of \$11.3 million, which reflects a 2005 update to the decommissioning study cost estimates. To estimate the additional ARO, KCP&L used a credit-adjusted risk free discount rate of 5.89%. In recording the ARO addition, net utility plant was increased by \$10.8 million. A related \$0.5 million for accretion expense and depreciation was recorded as a regulatory asset; therefore, it had no impact on net income.

Revisions to the estimated liabilities of KCP&L could occur due to changes in the decommissioning or other cost estimates, extension of the nuclear operating license or changes in federal or state regulatory requirements.

The following table summarizes the change in Great Plains Energy's and consolidated KCP&L's AROs.

| December 31 | 2005 | 2004 |
|--------------------|-------------|-------------|
| | (millions) | |
| Beginning balance | \$ 113.7 | \$ 106.7 |
| Additions | 26.7 | - |
| Settlements | (2.0) | - |
| Accretion | 7.5 | 7.0 |
| Ending balance | \$ 145.9 | \$ 113.7 |

The following table illustrates the effect of FIN No. 47 related AROs if the provisions of FIN No. 47 had been applied beginning January 1, 2003. Pro forma amounts for the periods prior to adoption of FIN No. 47 were measured using assumptions consistent with the period of adoption.

| December 31 | 2005 | 2004 | 2003 |
|--------------------|-------------|-------------|-------------|
| | (millions) | | |
| Beginning balance | \$ 14.6 | \$ 13.8 | \$ 13.0 |
| Accretion | 0.8 | 0.8 | 0.8 |
| Ending balance | \$ 15.4 | \$ 14.6 | \$ 13.8 |

17. SEGMENT AND RELATED INFORMATION

Great Plains Energy

Great Plains Energy has two reportable segments based on its method of internal reporting, which generally segregates the reportable segments based on products and services, management responsibility and regulation. The two reportable business segments are KCP&L, an integrated,

regulated electric utility and Strategic Energy, a competitive electricity supplier. Other includes the operations of HSS, Services, all KLT Inc. operations other than Strategic Energy, unallocated corporate charges, consolidating entries and intercompany eliminations. Intercompany eliminations include insignificant amounts of intercompany financing related activities. The summary of significant accounting policies applies to all of the reportable segments. For segment reporting, each segment's income taxes include the effects of allocating holding company tax benefits. Segment performance is evaluated based on net income.

The following tables reflect summarized financial information concerning Great Plains Energy's reportable segments.

| 2005 | KCP&L | Strategic Energy | Other | Great Plains Energy |
|--|------------------|-----------------------------|--------------|--------------------------------|
| | | (millions) | | |
| Operating revenues | \$ 1,130.8 | \$ 1,474.0 | \$ 0.1 | \$ 2,604.9 |
| Depreciation and amortization | (146.5) | (6.4) | (0.2) | (153.1) |
| Interest charges | (61.8) | (3.4) | (8.6) | (73.8) |
| Income taxes | (49.3) | (16.6) | 26.2 | (39.7) |
| Loss from equity investments | - | - | (0.4) | (0.4) |
| Discontinued operations, net of income taxes | - | - | (1.9) | (1.9) |
| Net income (loss) | 145.2 | 28.2 | (11.1) | 162.3 |

| 2004 | KCP&L | Strategic Energy | Other | Great Plains Energy |
|--|------------------|-----------------------------|--------------|--------------------------------|
| | | (millions) | | |
| Operating revenues | \$ 1,090.1 | \$ 1,372.4 | \$ 1.5 | \$ 2,464.0 |
| Depreciation and amortization | (144.3) | (4.8) | (1.0) | (150.1) |
| Interest charges | (73.7) | (0.7) | (8.6) | (83.0) |
| Income taxes | (55.7) | (24.3) | 25.5 | (54.5) |
| Loss from equity investments | - | - | (1.5) | (1.5) |
| Discontinued operations, net of income taxes | - | - | 7.3 | 7.3 |
| Net income (loss) | 150.0 | 42.5 | (11.7) | 180.8 |

| 2003 | KCP&L | Strategic Energy | Other | Great Plains Energy |
|--|------------------|-----------------------------|--------------|--------------------------------|
| | | (millions) | | |
| Operating revenues | \$ 1,054.9 | \$ 1,091.0 | \$ 2.1 | \$ 2,148.0 |
| Depreciation and amortization | (139.9) | (1.7) | (1.2) | (142.8) |
| Interest charges | (69.9) | (0.4) | (5.9) | (76.2) |
| Income taxes | (84.4) | (30.2) | 36.0 | (78.6) |
| Loss from equity investments | - | - | (2.0) | (2.0) |
| Discontinued operations, net of income taxes | - | - | (44.8) | (44.8) |
| Net income (loss) | 127.2 | 39.6 | (21.9) | 144.9 |

| | KCP&L | Strategic Energy | Other | Great Plains Energy |
|----------------------|------------|---------------------|----------|------------------------|
| 2005 | | (millions) | | |
| Assets | \$ 3,334.6 | \$ 441.8 | \$ 57.3 | \$ 3,833.7 |
| Capital expenditures | 332.2 | 6.6 | (4.7) | 334.1 |
| 2004 | | | | |
| Assets | \$ 3,330.2 | \$ 407.7 | \$ 61.0 | \$ 3,798.9 |
| Capital expenditures | 190.8 | 2.6 | 3.3 | 196.7 |
| 2003 | | | | |
| Assets | \$ 3,293.5 | \$ 283.0 | \$ 105.5 | \$ 3,682.0 |
| Capital expenditures | 148.8 | 3.1 | - | 151.9 |

Consolidated KCP&L

The following tables reflect summarized financial information concerning consolidated KCP&L's reportable segment. Other includes the operations of HSS and intercompany eliminations. Intercompany eliminations include insignificant amounts of intercompany financing related activities.

| 2005 | KCP&L | Other | Consolidated KCP&L |
|--|------------|------------|-----------------------|
| | | (millions) | |
| Operating revenues | \$ 1,130.8 | \$ 0.1 | \$ 1,130.9 |
| Depreciation and amortization | (146.5) | (0.1) | (146.6) |
| Interest charges | (61.8) | - | (61.8) |
| Income taxes | (49.3) | 1.1 | (48.2) |
| Net income (loss) | 145.2 | (1.5) | 143.7 |
| 2004 | KCP&L | Other | Consolidated KCP&L |
| | | (millions) | |
| Operating revenues | \$ 1,090.1 | \$ 1.5 | \$ 1,091.6 |
| Depreciation and amortization | (144.3) | (0.9) | (145.2) |
| Interest charges | (73.7) | (0.5) | (74.2) |
| Income taxes | (55.7) | 2.9 | (52.8) |
| Net income (loss) | 150.0 | (6.7) | 143.3 |
| 2003 | KCP&L | Other | Consolidated KCP&L |
| | | (millions) | |
| Operating revenues | \$ 1,054.9 | \$ 2.1 | \$ 1,057.0 |
| Depreciation and amortization | (139.9) | (1.1) | (141.0) |
| Interest charges | (69.9) | (0.4) | (70.3) |
| Income taxes | (84.4) | 0.9 | (83.5) |
| Discontinued operations, net of income taxes | - | (8.7) | (8.7) |
| Net income (loss) | 127.2 | (10.0) | 117.2 |

| | KCP&L | Other | Consolidated KCP&L |
|----------------------|------------|------------|-----------------------|
| 2005 | | (millions) | |
| Assets | \$ 3,334.6 | \$ 3.9 | \$ 3,338.5 |
| Capital expenditures | 332.2 | - | 332.2 |
| 2004 | | | |
| Assets | \$ 3,330.2 | \$ 7.2 | \$ 3,337.4 |
| Capital expenditures | 190.8 | - | 190.8 |
| 2003 | | | |
| Assets | \$ 3,293.5 | \$ 9.1 | \$ 3,302.6 |
| Capital expenditures | 148.8 | - | 148.8 |

18. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT

Great Plains Energy has a \$550 million revolving credit facility with a group of banks that expires in December 2009. A default by Great Plains Energy or any of its significant subsidiaries of other indebtedness totaling more than \$25.0 million is a default under the facility. Under the terms of this agreement, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the agreement, not greater than 0.65 to 1.00 at all times. At December 31, 2005, the Company was in compliance with this covenant. At December 31, 2005, Great Plains Energy had \$6.0 million of outstanding borrowings with an interest rate of 4.98% and had issued letters of credit totaling \$38.5 million under the credit facility as credit support for Strategic Energy. At December 31, 2004, Great Plains Energy had \$20.0 million of outstanding borrowings with an interest rate of 3.04% and had issued letters of credit totaling \$8.0 million under the credit facility as credit support for Strategic Energy.

KCP&L has a \$250 million revolving credit facility with a group of banks that expires in December 2009, to provide support for its issuance of commercial paper and other general purposes. A default by KCP&L on other indebtedness totaling more than \$25.0 million is a default under the facility. Under the terms of the agreement, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the agreement, not greater than 0.65 to 1.00 at all times. At December 31, 2005, KCP&L was in compliance with this covenant. At December 31, 2005, KCP&L had \$31.9 million of commercial paper outstanding and no cash borrowings under the facility. The weighted-average interest rate of the commercial paper was 4.35%. At December 31, 2004, KCP&L had no cash borrowings or commercial paper outstanding.

During 2005, Strategic Energy entered into an amendment to its \$125 million revolving credit facility with a group of banks. The amendment extends the expiration of the facility from June 2007 to June 2009 and increases the aggregate revolving loan commitment from \$125 million to \$135 million. So long as there is no default or unmatured default, Strategic Energy may increase this amount by up to \$15 million by increasing the commitment of one or more lenders that have agreed to such increase, or by adding one or more lenders with the consent of the administrative agent. Great Plains Energy has currently guaranteed \$25.0 million of this facility. A default by Strategic Energy of other indebtedness, as defined in the facility, totaling more than \$7.5 million is a default under the facility. Under the terms of this amended agreement, Strategic Energy is required to maintain a minimum net worth of \$75.0 million, a minimum fixed charge coverage ratio of at least 1.05 to 1.00 and a minimum debt service coverage ratio of at least 4.00 to 1.00, as those terms are defined in the agreement. In addition, under the terms of this amended agreement, Strategic Energy is required to maintain a maximum funded indebtedness to EBITDA ratio, as defined in the agreement, of 3.00 to 1.00, on a quarterly basis through June 30, 2007, and 2.75 to 1.00 thereafter. In the event of a breach of one or more of these four covenants, so long as no other default has occurred, Great Plains Energy may cure the breach through a cash infusion, a guarantee increase or a combination of the two. At December 31, 2005,

Strategic Energy was in compliance with these covenants. At December 31, 2005, \$75.2 million in letters of credit had been issued and there were no cash borrowings under the agreement. At December 31, 2004, \$69.2 million in letters of credit had been issued and there were no cash borrowings under the agreement.

19. LONG-TERM DEBT AND EIRR BONDS CLASSIFIED AS CURRENT LIABILITIES

Great Plains Energy and consolidated KCP&L's long-term debt is detailed in the following table.

| | Year Due | December 31 | |
|---|-----------|-------------|----------|
| | | 2005 | 2004 |
| Consolidated KCP&L | | (millions) | |
| General Mortgage Bonds | | | |
| 7.95% Medium-Term Notes | 2007 | \$ 0.5 | \$ 0.5 |
| 3.45%* EIRR bonds | 2012-2035 | 158.8 | 158.8 |
| Senior Notes | | | |
| 7.125% | 2005 | - | 250.0 |
| 6.00% | 2007 | 225.0 | 225.0 |
| 6.50% | 2011 | 150.0 | 150.0 |
| 6.05% | 2035 | 250.0 | - |
| Unamortized discount | | (1.8) | (0.6) |
| EIRR bonds | | | |
| 4.75% Series A & B | 2015 | 104.6 | 107.0 |
| 2.38% Series C | | - | 50.0 |
| 4.75% Series D | 2017 | 39.3 | 40.2 |
| 4.65% Series 2005 | 2035 | 50.0 | - |
| 2.10% Combustion Turbine Synthetic Lease | | - | 145.3 |
| Current liabilities | | | |
| EIRR bonds classified as current | | - | (85.9) |
| Current maturities | | - | (250.0) |
| Total consolidated KCP&L excluding current liabilities | | 976.4 | 790.3 |
| Other Great Plains Energy | | | |
| 7.70%* Affordable Housing Notes | 2006-2008 | 2.6 | 5.8 |
| 4.25% FELINE PRIDES Senior Notes | 2009 | 163.6 | 163.6 |
| Current maturities | | (1.7) | (3.2) |
| Total consolidated Great Plains Energy excluding current maturities | | \$ 1,140.9 | \$ 956.5 |

* Weighted-average interest rates as of December 31, 2005

Amortization of Debt Expense

Great Plains Energy's and consolidated KCP&L's amortization of debt expense is detailed in the following table.

| | 2005 | 2004 | 2003 |
|---------------------------|------------|--------|--------|
| | (millions) | | |
| Consolidated KCP&L | \$ 2.3 | \$ 2.1 | \$ 2.1 |
| Other Great Plains Energy | 0.7 | 1.8 | 1.4 |
| Total Great Plains Energy | \$ 3.0 | \$ 3.9 | \$ 3.5 |

KCP&L General Mortgage Bonds

KCP&L has issued mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented. The Indenture creates a mortgage lien on substantially all utility plant. Mortgage bonds secure \$159.3 million of medium-term notes and Environmental Improvement

Revenue Refunding (EIRR) bonds at December 31, 2005 and 2004. In 2004, KCP&L redeemed \$54.5 million of its medium-term notes at maturity.

During 2005, KCP&L redeemed its secured 1994 series EIRR bonds totaling \$35.9 million by issuing secured EIRR Bonds Series 2005 also totaling \$35.9 million: \$14.0 million at a fixed rate of 4.05% until maturity at March 1, 2015, and \$21.9 million at a fixed rate of 4.65% until maturity at September 1, 2035. The previous interest rate periods on this series, with an interest rate of 2.25%, expired on August 31, 2005. This series was classified as a current liability at December 31, 2004. The new EIRR Bonds Series 2005 is covered by a municipal bond insurance policy issued by XL Capital Assurance Inc. (XLCA). The insurance agreement between KCP&L and XLCA is described below.

In 2004, KCP&L secured a municipal bond insurance policy as a credit enhancement to its secured 1992 series EIRR bonds totaling \$31.0 million. This municipal bond insurance policy replaced a 364-day credit facility with a bank, which expired in August 2004 and previously supported full liquidity of these bonds. These variable-rate secured EIRR bonds with a final maturity in 2017 are remarketed on a weekly basis through a Dutch auction process. The insurance agreement between KCP&L and XLCA is described below.

KCP&L Unsecured Notes

KCP&L had \$196.5 million of unsecured EIRR bonds outstanding excluding the fair value of interest rate swaps of a \$2.6 million liability and \$0.7 million asset at December 31, 2005 and 2004, respectively. The interest rates swaps resulted in an effective rate of 5.43% for the Series A, B and D EIRR bonds at December 31, 2005. During 2005, KCP&L redeemed its unsecured Series C EIRR bonds totaling \$50.0 million by issuing unsecured EIRR Bonds Series 2005 also totaling \$50.0 million at a fixed rate of 4.65% until maturity at September 1, 2035. The previous interest rate period on this series, with an interest rate of 2.38%, expired on August 31, 2005. The Series C EIRR bonds were classified as current liabilities at December 31, 2004. The new EIRR Bonds Series 2005 is covered by a municipal bond insurance policy issued by XLCA. The insurance agreement between KCP&L and XLCA is described below.

KCP&L had \$625.0 million of outstanding unsecured senior notes at December 31, 2005 and 2004. During 2005, KCP&L privately issued \$250.0 million of 6.05% unsecured senior notes, maturing in 2035. The proceeds from the issuance were used to repay the 7.125% unsecured senior notes that matured in 2005. KCP&L entered into two Treasury Locks (T-Locks) to hedge against interest rate fluctuations on the U.S. Treasury rate component of this issuance. As a result, the effective interest rate on these notes was 5.78% at December 31, 2005. See Note 21 for more information about the T-Locks.

KCP&L exercised its early termination option in the Combustion Turbine Synthetic Lease and purchased the leased property during 2005.

Municipal Bond Insurance Policies

The insurance agreements between KCP&L and XLCA provide for reimbursement by KCP&L for any amounts that XLCA pays under the municipal bond insurance policies. The insurance policies are in effect for the term of the bonds. The insurance agreements contain a covenant that the indebtedness to total capitalization ratio of KCP&L and its consolidated subsidiaries will not be greater than 0.68 to 1.00. At December 31, 2005, KCP&L was in compliance with this covenant. KCP&L is also restricted from issuing additional bonds under its General Mortgage Indenture if, after giving effect to such additional bonds, the proportion of secured debt to total indebtedness would be more than 75%, or more than 50% if the long term rating for such bonds by Standard & Poor's or Moody's Investors Service would be at or below A- or A3, respectively. The insurance agreement covering the unsecured EIRR Bond Series 2005 also requires KCP&L to provide XLCA with \$50.0 million of general mortgage

bonds as collateral for KCP&L's obligations under the insurance agreement in the event KCP&L issues general mortgage bonds (other than refundings of outstanding general mortgage bonds) resulting in the aggregate amount of outstanding general mortgage bonds exceeding 10% of total capitalization. In the event of a default under the insurance agreements, XLCA may take any available legal or equitable action against KCP&L, including seeking specific performance of the covenants.

Other Great Plains Energy Long-Term Debt

Great Plains Energy filed a registration statement, which became effective in April 2004, for the issuance of an aggregate amount up to \$500.0 million of any combination of senior debt securities, subordinated debt securities, trust preferred securities and related guarantees, common stock, warrants, stock purchase contracts or stock purchase units. The prospectus filed with this registration statement also included \$148.2 million of securities remaining available to be offered under a prior registration statement providing for an aggregate amount of availability of \$648.2 million.

In June 2004, Great Plains Energy issued \$163.6 million of FELINE PRIDES under this registration statement. After this transaction and the stock issuance discussed in Note 20, \$171.0 million remains available under the registration statement. FELINE PRIDES, each with a stated amount of \$25, initially consist of an interest in a senior note due February 16, 2009, and a contract requiring the holder to purchase the Company's common stock on February 16, 2007. Each purchase contract obligates the holder of the purchase contract to purchase, and Great Plains Energy to sell, on February 16, 2007, for \$25 in cash, newly issued shares of the Company's common stock equal to the settlement rate. The settlement rate will vary according to the applicable market value of the Company's common stock at the settlement date. Applicable market value will be measured by the average of the closing price per share of the Company's common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding February 16, 2007. The settlement rate will be applied to the 6.5 million FELINE PRIDES at the settlement date to issue a number of common shares determined as described in the following table.

| Applicable market value | Settlement rate (in common shares) | Market value per common share ^(a) |
|--------------------------------|--|---|
| \$35.40 or greater | 0.7062 to 1 | Greater than \$25 per common share |
| \$35.40 to \$30.00 | \$25 divided by the applicable market value to 1 | Equal to \$25 per common share |
| \$30.00 or less | 0.8333 to 1 | Less than \$25 per common share |

^(a) Assumes that the market price of the Company's common stock on February 16, 2007, is the same as the applicable market value.

Great Plains Energy makes quarterly contract adjustment payments at the rate of 3.75% per year and interest payments at the rate of 4.25% per year both payable in February, May, August and November of each year. Great Plains Energy must attempt to remarket the senior notes, in whole but not in part. If the senior notes are not successfully remarketed between August 16, 2006 and February 16, 2007, Great Plains Energy will exercise its rights as a secured party to dispose of the senior notes in accordance with applicable law and satisfy in full each holder's obligation to purchase the Company's common stock under the purchase contracts.

The June 2004 fair value of the contract adjustment payments of \$15.4 million was recorded as a liability in other deferred credits and other liabilities with a corresponding amount recorded as capital stock premium and expense on Great Plains Energy's consolidated balance sheet. Expenses incurred with the offering were allocated between the senior notes and the purchase contracts. Expenses allocated to the senior notes of \$1.2 million have been deferred and are being recognized as interest

expense over the term of the notes. Expenses allocated to the purchase contracts of \$4.2 million were recorded as capital stock premium and expense. Great Plains Energy has the right to defer the contract adjustment payment on the purchase contracts, but not the interest payments on the senior notes. In the event Great Plains Energy exercises its option to defer the payment of contract adjustment payments, Great Plains Energy and its subsidiaries are not permitted to, with certain exceptions, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any capital stock of Great Plains Energy until the deferred contract adjustment payments have been paid.

KLT Investments' affordable housing notes are collateralized by the affordable housing investments. Most of the notes also require the greater of 15% of the outstanding note balances or the next annual installment to be held as cash, cash equivalents or marketable securities. At December 31, 2005 and 2004, the collateral was held entirely as cash and totaled \$1.9 million and \$3.7 million, respectively.

Scheduled Maturities

Great Plains Energy's and consolidated KCP&L's long-term debt maturities for the next five years are detailed in the following table.

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|------------|----------|--------|----------|------|
| | (millions) | | | | |
| Consolidated KCP&L | \$ - | \$ 225.5 | \$ - | \$ - | \$ - |
| Other Great Plains Energy ^(a) | 1.7 | 0.5 | 0.3 | 163.6 | - |
| Total Great Plains Energy | \$ 1.7 | \$ 226.0 | \$ 0.3 | \$ 163.6 | \$ - |

^(a) FELINE PRIDES senior notes totaling \$163.6 million mature in 2009, but must be remarketed between August 16, 2006 and February 16, 2007.

20. COMMON SHAREHOLDERS' EQUITY AND PREFERRED STOCK

Common Shareholders' Equity

In 2004, Great Plains Energy issued 5.0 million shares of common stock at \$30 per share under the registration statement discussed in Note 19 with \$150.0 million in gross proceeds. Issuance costs of \$5.4 million are reflected in capital stock premium and expense on Great Plains Energy's consolidated balance sheet and statement of common shareholders' equity.

Treasury shares are held for future distribution upon exercise of options issued in conjunction with the Company's equity compensation plan.

Great Plains Energy has 3.0 million shares of common stock registered with the SEC for a Dividend Reinvestment and Direct Stock Purchase Plan (Plan). The Plan allows for the purchase of common shares by reinvesting dividends or making optional cash payments. Great Plains Energy can issue new shares or purchase shares on the open market for the Plan. At December 31, 2005, 2.0 million shares remained available for future issuances.

Great Plains Energy has 9.3 million shares of common stock registered with the SEC for a defined contribution savings plan. The Company matches employee contributions, subject to limits. At December 31, 2005, 0.6 million shares remained available for future issuances.

Great Plains Energy's Articles of Incorporation contain a restriction related to the payment of dividends in the event common equity falls to 25% of total capitalization. If preferred stock dividends are not declared and paid when scheduled, Great Plains Energy could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect the smallest number of Directors necessary to constitute a majority of the full Board of Directors. Under stipulations

with the MPSC and KCC, Great Plains Energy and KCP&L have committed to maintain consolidated common equity of not less than 30% and 35%, respectively.

Great Plains Energy made capital contributions to KCP&L of \$225 million in 2004. These contributions were used to pay down long-term debt. At December 31, 2005, KCP&L's capital contributions from Great Plains Energy totaled \$400 million and are reflected in common stock in the consolidated KCP&L balance sheet.

Preferred Stock

At December 31, 2005, 1.6 million shares of Cumulative No Par Preferred Stock and 11.0 million shares of no par Preference Stock were authorized under Great Plains Energy's Articles of Incorporation. Great Plains Energy has the option to redeem the \$39.0 million of issued Cumulative Preferred Stock at prices approximating par or stated value.

21. DERIVATIVE INSTRUMENTS

The Company is exposed to a variety of market risks including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on the Company's operating results. The risk management activities, including the use of derivative instruments, are subject to the management, direction and control of internal risk management committees. Management's interest rate risk management strategy uses derivative instruments to adjust the Company's liability portfolio to optimize the mix of fixed and floating rate debt within an established range. In addition, the Company uses derivative instruments to hedge against future interest rate fluctuations on anticipated debt issuances. Management maintains commodity-price risk management strategies that use derivative instruments to reduce the effects of fluctuations in fuel and purchased power expense caused by commodity price volatility. Counterparties to commodity derivatives and interest rate swap agreements expose the Company to credit loss in the event of nonperformance. This credit loss is limited to the cost of replacing these contracts at current market rates less the application of counterparty collateral held. Derivative instruments, excluding those instruments that qualify for the NPNS election which are accounted for by accrual accounting, are recorded on the balance sheet at fair value as an asset or liability. Changes in the fair value are recognized currently in net income unless specific hedge accounting criteria are met.

Fair Value Hedges - Interest Rate Risk Management

In 2002, KCP&L remarketed its 1998 Series A, B and D EIRR bonds totaling \$146.5 million to a five-year fixed interest rate of 4.75% ending October 1, 2007. Simultaneously with the remarketing, KCP&L entered into an interest rate swap for the \$146.5 million based on the London Interbank Offered Rate (LIBOR) to effectively create a floating interest rate obligation. The transaction is a fair value hedge with no ineffectiveness. Changes in the fair market value of the swap are recorded on the balance sheet as an asset or liability with an offsetting entry to the respective debt balances with no net impact on net income.

Cash Flow Hedges - Treasury Locks

In 2005, KCP&L entered into two T-Locks to hedge against interest rate fluctuations on the U.S. Treasury rate component of the \$250.0 million 30-year long-term debt that KCP&L issued. The T-Locks settled simultaneously with the issuance of the long-term fixed rate debt. The T-Locks removed the uncertainty with respect to the U.S. Treasury rate component of the debt to be issued, thereby enabling KCP&L to predict with greater assurance what its future interest costs on that debt would be. The T-Locks were accounted for as cash flow hedges and no ineffectiveness was recorded on the T-Locks. A pre-tax gain of \$12.0 million on the T-Locks was recorded to OCI and is being reclassified to interest expense over the life of the issued 30-year debt. An insignificant amount was reclassified from OCI to interest expense subsequent to the debt issuance.

Cash Flow Hedges - Commodity Risk Management

KCP&L's risk management policy is to use derivative instruments to mitigate its exposure to market price fluctuations on a portion of its projected natural gas purchases to meet generation requirements for retail and firm wholesale sales. At December 31, 2005, KCP&L did not have any projected natural gas usage hedged for retail load and firm MWh sales. The hedging instruments in place at December 31, 2004, were designated as cash flow hedges. The fair values of these instruments are recorded as current assets or current liabilities with an offsetting entry to OCI for the effective portion of the hedge. To the extent the hedges are not effective, the ineffective portion of the change in fair market value is recorded currently in fuel expense. KCP&L did not record any gains or losses due to ineffectiveness during 2005, 2004 or 2003. When the natural gas is purchased, the amounts in OCI are reclassified to fuel expense in the consolidated income statement.

Strategic Energy maintains a commodity-price risk management strategy that uses forward physical energy purchases and other derivative instruments to reduce the effects of fluctuations in purchased power expense caused by commodity-price volatility. Derivative instruments are used to limit the unfavorable effect that price increases will have on electricity purchases, effectively fixing the future purchase price of electricity for the applicable forecasted usage and protecting Strategic Energy from significant price volatility. The maximum term over which Strategic Energy hedged its exposure and variability of future cash flows was 5.0 years and 3.1 years at December 31, 2005 and 2004, respectively.

Certain forward fixed price purchases and swap agreements are designated as cash flow hedges. The fair values of these instruments are recorded as assets or liabilities with an offsetting entry to OCI for the effective portion of the hedge. To the extent the hedges are not effective, the ineffective portion of the change in fair market value is recorded currently in purchased power. When the forecasted purchase is completed, the amounts in OCI are reclassified to purchased power. Purchased power expense for 2005 and 2004, included gains of \$3.3 million and \$3.2 million, respectively, due to ineffectiveness of the cash flow hedges. Strategic Energy did not record any gains or losses due to ineffectiveness during 2003.

In 2003, Strategic Energy terminated an agreement with a swap counterparty due to credit and performance concerns. Strategic Energy received a \$4.8 million fair value settlement. The swap was designated as a cash flow hedge of a forecasted transaction and Strategic Energy management believed the forecasted transaction would occur. Accordingly, the \$4.8 million settlement was reclassified to purchased power expense over the remaining term of the underlying transaction, which was completed in 2003.

As part of its commodity-price risk management strategy, Strategic Energy also enters into economic hedges (non-hedging derivatives) that do not qualify for cash flow hedge accounting. The changes in the fair value of these derivative instruments recorded as a component of purchased power expense were a \$0.8 million loss, a \$1.5 million loss and an insignificant gain for 2005, 2004 and 2003, respectively.

The fair value of non-hedging derivatives at December 31, 2005, also includes certain forward contracts at Strategic Energy that were amended during 2005. Prior to being amended, the contracts were accounted for under the NPNS election in accordance with SFAS No. 133. As a result of being amended, the contracts no longer qualify for NPNS exceptions or cash flow hedge accounting and are now accounted for as non-hedging derivatives with the fair value at amendment being recorded as a deferred liability that will be reclassified to net income as the contracts settle. Strategic Energy is recording the change in fair value of these contracts after the amendment as a component of purchased power expense.

The notional and recorded fair values of the Company's derivative instruments are summarized in the following table. The fair values of these derivatives are recorded on the consolidated balance sheets.

| | December 31 | | | |
|-------------------------------|--------------------------------|---------------|--------------------------------|---------------|
| | 2005 | | 2004 | |
| | Notional Contract Amount | Fair Value | Notional Contract Amount | Fair Value |
| Great Plains Energy | (millions) | | | |
| Swap contracts | | | | |
| Cash flow hedges | \$ 164.7 | \$ 23.8 | \$ 92.4 | \$ 4.5 |
| Non-hedging derivatives | 35.5 | - | 2.3 | 0.7 |
| Forward contracts | | | | |
| Cash flow hedges | 121.9 | 21.0 | 23.0 | 1.6 |
| Non-hedging derivatives | 178.3 | 3.6 | 5.5 | (2.2) |
| Interest rate swaps | | | | |
| Fair value hedges | 146.5 | (2.6) | 146.5 | 0.7 |
| Consolidated KCP&L | | | | |
| Swap contracts | | | | |
| Cash flow hedges | - | - | 6.3 | (0.3) |
| Interest rate swaps | | | | |
| Fair value hedges | 146.5 | (2.6) | 146.5 | 0.7 |

The amounts recorded in accumulated OCI related to the cash flow hedges are summarized in the following table.

| | Great Plains Energy | | Consolidated KCP&L | |
|---------------------------|---------------------|--------|--------------------|----------|
| | December 31 | | December 31 | |
| | 2005 | 2004 | 2005 | 2004 |
| | (millions) | | | |
| Current assets | \$ 35.8 | \$ 2.5 | \$ 11.9 | \$ (0.3) |
| Other deferred charges | 11.8 | 0.9 | - | - |
| Other current liabilities | 1.6 | (0.5) | - | - |
| Deferred income taxes | (20.5) | (0.8) | (4.5) | 0.2 |
| Other deferred credits | 1.0 | (0.9) | - | - |
| Total | \$ 29.7 | \$ 1.2 | \$ 7.4 | \$ (0.1) |

The amounts recorded in current assets and liabilities reflected in accumulated OCI in the table above at December 31, 2005, are expected to be reclassified to expenses during the next twelve months for Great Plains Energy and consolidated KCP&L.

The amounts reclassified to expenses are summarized in the following table.

| | 2005 | 2004 | 2003 |
|-------------------------------|-----------|----------|----------|
| Great Plains Energy | | | |
| Fuel expense | \$ (0.5) | \$ (0.7) | \$ (0.8) |
| Purchased power expense | (35.6) | (0.6) | (9.0) |
| Minority interest | - | 0.2 | 1.0 |
| Income taxes | 15.1 | 0.5 | 3.8 |
| OCI | \$ (21.0) | \$ (0.6) | \$ (5.0) |
| Consolidated KCP&L | | | |
| Fuel expense | \$ (0.5) | \$ (0.7) | \$ (0.8) |
| Income taxes | 0.2 | 0.3 | 0.3 |
| OCI | \$ (0.3) | \$ (0.4) | \$ (0.5) |

22. JOINTLY OWNED ELECTRIC UTILITY PLANTS

KCP&L's share of jointly owned electric utility plants at December 31, 2005, is detailed in the following table.

| | Wolf Creek Unit | LaCygne Units | Iatan No. 1 Unit |
|----------------------------------|-------------------------------|------------------|---------------------|
| | (millions, except MW amounts) | | |
| KCP&L's share | 47% | 50% | 70% |
| Utility plant in service | \$ 1,414 | \$ 337 | \$ 263 |
| Accumulated depreciation | 712 | 244 | 190 |
| Nuclear fuel, net | 28 | | |
| KCP&L's accredited capacity--MWs | 548 | 711 | 456 ^(a) |

^(a) The Iatan No. 2 air permit limits KCP&L's accredited capacity of Iatan No. 1 to 456 MWs from 469 MWs until the air quality control equipment included in the comprehensive energy plan is operational.

Each owner must fund its own portion of the plant's operating expenses and capital expenditures. KCP&L's share of direct expenses is included in the appropriate operating expense classifications in Great Plains Energy's and consolidated KCP&L's financial statements.

23. QUARTERLY OPERATING RESULTS (UNAUDITED)

| Great Plains Energy | Quarter | | | |
|---|--------------------------------------|----------|----------|----------|
| | 1st | 2nd | 3rd | 4th |
| 2005 | (millions, except per share amounts) | | | |
| Operating revenue | \$ 545.1 | \$ 631.7 | \$ 782.9 | \$ 645.2 |
| Operating income | 41.8 | 62.6 | 125.5 | 53.3 |
| Income from continuing operations | 20.2 | 25.5 | 89.1 | 29.4 |
| Net income | 20.2 | 21.9 | 90.9 | 29.3 |
| Basic and diluted earning per common share from continuing operations | 0.27 | 0.34 | 1.19 | 0.39 |
| Basic and diluted earning per common share | 0.27 | 0.29 | 1.21 | 0.39 |
| 2004 | | | | |
| Operating revenue | \$ 541.5 | \$ 613.5 | \$ 714.8 | \$ 594.2 |
| Operating income | 62.6 | 82.3 | 125.5 | 48.4 |
| Income from continuing operations | 29.5 | 41.4 | 67.9 | 34.7 |
| Net income | 27.3 | 41.6 | 75.9 | 36.0 |
| Basic and diluted earning per common share from continuing operations | 0.42 | 0.59 | 0.91 | 0.46 |
| Basic and diluted earning per common share | 0.39 | 0.59 | 1.02 | 0.48 |

| Consolidated KCP&L | Quarter | | | |
|--------------------|------------|----------|----------|----------|
| | 1st | 2nd | 3rd | 4th |
| 2005 | (millions) | | | |
| Operating revenue | \$ 233.3 | \$ 272.1 | \$ 353.0 | \$ 272.5 |
| Operating income | 24.6 | 59.0 | 100.1 | 66.0 |
| Net income | 10.3 | 29.0 | 68.9 | 35.5 |
| 2004 | | | | |
| Operating revenue | \$ 247.0 | \$ 275.0 | \$ 323.7 | \$ 245.9 |
| Operating income | 49.7 | 68.3 | 111.3 | 37.8 |
| Net income | 21.2 | 32.3 | 63.9 | 25.9 |

Quarterly data is subject to seasonal fluctuations with peak periods occurring in the summer months.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Great Plains Energy Incorporated

We have audited the accompanying consolidated balance sheets of Great Plains Energy Incorporated and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Great Plains Energy Incorporated and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 16 to the consolidated financial statements, effective December 31, 2005, the Company changed its method of accounting for conditional asset retirement obligations to adopt FIN 47 "*Accounting for Conditional Asset Retirement Obligations*". As discussed in Note 2 to the consolidated financial statements, in 2005 the Company changed the presentation of its consolidated statements of cash flows to include the cash flows from operating, investing, and financing activities of discontinued operations within the respective categories of operating, investing and financing activities of the Company and retroactively revised the statements of cash flows for the years ended December 31, 2004 and 2003, for the change.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/DELOITTE & TOUCHE LLP

Kansas City, Missouri
March 8, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Kansas City Power & Light Company

We have audited the accompanying consolidated balance sheets of Kansas City Power & Light Company and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income, common shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Kansas City Power & Light and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 16 to the consolidated financial statements, effective December 31, 2005, the Company changed its method of accounting for conditional asset retirement obligations to adopt FIN 47 "*Accounting for Conditional Asset Retirement Obligations*". As discussed in Note 2 to the consolidated financial statements, in 2005 the Company changed the presentation of its consolidated statements of cash flows to include the cash flows from operating, investing, and financing activities of discontinued operations within the respective categories of operating, investing and financing activities of the Company and retroactively revised the statement of cash flows for the year ended December 31, 2003, for the change.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/DELOITTE & TOUCHE LLP

Kansas City, Missouri
March 8, 2006

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Great Plains Energy and KCP&L carried out evaluations of their disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended). These evaluations were conducted under the supervision, and with the participation, of each company's management, including the chief executive officer and chief financial officer of each company and the companies' disclosure committee.

Based upon these evaluations, the chief executive officer and chief financial officer of Great Plains Energy and KCP&L, respectively, have concluded as of the end of the period covered by this report that the disclosure controls and procedures of Great Plains Energy and KCP&L are functioning effectively to provide reasonable assurance that: (i) the information required to be disclosed by the respective companies in the reports that they file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) the information required to be disclosed by the respective companies in the reports that they file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to their respective management, including the principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in Great Plains Energy's internal control over financial reporting that occurred during the quarterly period ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting, other than the implementation by Strategic Energy of a new energy supply-side management system, which converted manual controls to electronic controls with no change to control objectives.

There has been no change in KCP&L's internal control over financial reporting that occurred during the quarterly period ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Great Plains Energy

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) for Great Plains Energy. Under the supervision and with the participation of Great Plains Energy's chief executive officer and chief financial officer, management evaluated the effectiveness of Great Plains Energy's internal control over financial reporting as of December 31, 2005. Management used for this evaluation the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Management has concluded that, as

of December 31, 2005, Great Plains Energy's internal control over financial reporting is effective based on the criteria set forth in the COSO framework. Deloitte & Touche, LLP, the independent registered public accounting firm that audited the financial statements included in this annual report on Form 10-K, has issued its audit report on this assessment, which is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Great Plains Energy Incorporated

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Great Plains Energy Incorporated and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring

Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2005, of the Company and our report dated March 8, 2006, expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of a new accounting standard and revisions made to the consolidated statements of cash flows for the years ended December 31, 2004 and 2003.

/s/DELOITTE & TOUCHE LLP

Kansas City, Missouri
March 8, 2006

KCP&L

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended) for KCP&L. Under the supervision and with the participation of KCP&L's chief executive officer and chief financial officer, management evaluated the effectiveness of KCP&L's internal control over financial reporting as of December 31, 2005. Management used for this evaluation the framework in *Internal Control – Integrated Framework* issued by the COSO of the Treadway Commission. Management has concluded that, as of December 31, 2005, KCP&L's internal control over financial reporting is effective based on the criteria set forth in the COSO framework. Deloitte & Touche, LLP, the independent registered public accounting firm that audited the financial statements included in this annual report on Form 10-K, has issued its audit report on this assessment, which is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Kansas City Power & Light Company

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Kansas City Power & Light Company and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2005, of the Company and our report dated March 8, 2006, expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of a new accounting standard and revisions made to the consolidated statement of cash flows for the year ended December 31, 2003.

/s/DELOITTE & TOUCHE LLP

Kansas City, Missouri
March 8, 2006

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

Great Plains Energy Directors

The following information is incorporated by reference from the Great Plains Energy 2006 Proxy Statement, which will be filed with the SEC no later than March 31, 2006 (Proxy Statement):

- Information regarding the directors of Great Plains Energy required by this item contained in the section titled "Election of Directors".
- Information regarding the Audit Committee of Great Plains Energy required by this item contained in the sections titled "Corporate Governance", "Election of Directors" and "Director Independence".

KCP&L Directors

Great Plains Energy, as the sole shareholder of KCP&L, elects the directors of KCP&L. The directors of KCP&L are also directors of Great Plains Energy, and the Board committees of Great Plains Energy function as the Board committees of KCP&L. The nine individuals listed below are all of the current directors of KCP&L and have consented to stand for election to the Board of Great Plains Energy. If they are elected at the annual shareholders meeting on May 2, 2006, to serve on the Great Plains Energy Board, they will also be elected to the KCP&L Board to serve as directors until the next annual shareholders meeting and until their successors are elected and qualified. The committee information listed for each director refers to the Great Plains Energy Board committees, which function as the KCP&L Board committees.

David L. Bodde

Director since 1994

Dr. Bodde, 63, is the Senior Fellow and Professor, Arthur M. Spiro Center for Entrepreneurial Leadership at Clemson University (since 2004). He previously held the Charles N. Kimball Professor of Technology and Innovation (1996-2004) at the University of Missouri-Kansas City. He also serves on the board of The Commerce Funds. Dr. Bodde served as a member of the Executive, Audit and Governance committees during 2005.

Michael J. Chesser

Director since 2003

Mr. Chesser, 57, is Chairman of the Board and Chief Executive Officer – Great Plains Energy and Chairman of the Board – KCP&L (since October 2003). Previously he served as Chief Executive Officer of United Water (2002-2003); and President and Chief Executive Officer of GPU Energy (2000-2002). Mr. Chesser served as a member of the Executive committee in 2005.

William H. Downey

Director since 2003

Mr. Downey, 61, is President and Chief Operating Officer – Great Plains Energy and President and Chief Executive Officer – KCP&L (since October 2003). Mr. Downey joined the Company in 2000 as Executive Vice President – Kansas City Power & Light Company and President – KCPL Delivery Company. Mr. Downey also serves on the board of Enterprise Financial Services Corp.

Mark A. Ernst

Director since 2000

Mr. Ernst, 47, is Chairman of the Board, President and Chief Executive Officer of H&R Block, Inc., a global provider of tax preparation, investment, mortgage and accounting services. He was elected Chairman of the Board in 2002, Chief Executive Officer in 2001 and President in 1999. Mr. Ernst also serves on the board of Knight Ridder, Inc. Mr. Ernst served on the Executive, Audit and Compensation and Development committees during 2005.

Randall C. Ferguson, Jr.

Director since 2002

Mr. Ferguson, 54, is the Senior Partner for Business Development for Tshibanda & Associates, LLC (since March 2005), a consulting and project management services firm committed to assisting clients to improve operations and achieve long-lasting, measurable results. Previously he served as Senior Vice President Business Growth &

Member Connections with the Greater Kansas City Chamber of Commerce (2003-2005) and the retired Senior Location Executive (1998-2003) for the IBM Kansas City Region. Mr. Ferguson served on the Audit and Governance committees during 2005.

Luis A. Jimenez

Director since 2001

Mr. Jimenez, 61, is Senior Vice President and Chief Strategy Officer (since 2001) of Pitney Bowes Inc., a global provider of integrated mail and document management solutions. He served as Vice President, Global Growth and Future Strategy (1999-2001). Mr. Jimenez served on the Governance and Compensation and Development committees during 2005.

James A. Mitchell

Director since 2002

Mr. Mitchell, 64, is the Executive Fellow-Leadership, Center for Ethical Business Cultures (since 1999), a not-for-profit organization, assisting business leaders in creating ethical and profitable cultures. Mr. Mitchell served on the Compensation and Development and Governance committees during 2005.

William C. Nelson

Director since 2000

Mr. Nelson, 68, is Chairman (since 2001) of George K. Baum Asset Management, a provider of investment management services to individuals, foundations and institutions. He also serves on the board of DST Systems. Mr. Nelson served on the Executive, Audit and Compensation and Development committees during 2005.

Linda H. Talbott

Director since 1983

Dr. Talbott, 65, is President of Talbott & Associates (since 1975), consultants in strategic planning, philanthropic management and development to foundations, corporations, and nonprofit organizations. She is also Chairman of the Center for Philanthropic Leadership. Dr. Talbott served as the Advising Director for Corporate Social Responsibility and on the Governance and Compensation and Development committees during 2005.

KCP&L Audit Committee

The KCP&L Board has designated the Audit Committee of the Great Plains Energy Board as the KCP&L Audit Committee for purposes of Section 10A of the Securities Exchange Act of 1934, as amended, and related rules. The members of the Audit Committee are Mark A. Ernst, David L. Bodde, Randall C. Ferguson, Jr., William K. Hall, William C. Nelson and Robert H. West. The Boards identified Messrs. Ernst, Hall, Nelson and West as "audit committee financial experts", as that term is defined by the SEC pursuant to Section 407 of the Sarbanes-Oxley Act of 2002, and determined that those individuals are independent.

Great Plains Energy and KCP&L Executive Officers

Information regarding the executive officers of Great Plains Energy and KCP&L is contained in this report in the Part I, Item 1 sections titled "Officers of Great Plains Energy" and "Officers of KCP&L".

Great Plains Energy and KCP&L Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (Code), which applies to all directors, officers and employees of Great Plains Energy, KCP&L and their subsidiaries. The Code is posted on the investor relations page of our Internet websites at www.greatplainsenergy.com and www.kcpl.com. A copy of the Code is available, without charge, upon written request to Corporate Secretary, Great Plains Energy Incorporated, 1201 Walnut, Kansas City, Missouri 64106. Great Plains Energy and KCP&L intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of the Code that applies to the principal executive officer, principal financial officer, principal accounting officer or controller of those companies by posting such information on the investor relations page of their Internet websites.

Section 16(a) Beneficial Ownership Reporting Compliance

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, contained in the section titled "Security Ownership of Directors and Officers" of the Proxy Statement is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

GREAT PLAINS ENERGY

The information regarding compensation of Great Plains Energy directors and named executive officers contained in the sections titled "Corporate Governance", "Executive Compensation", "Compensation and Development Committee Report on Executive Compensation", and "Stock Performance Graph" of the Proxy Statement is incorporated by reference.

KCP&L

Summary Compensation Table

The following table contains compensation data for KCP&L executive officers named below, for fiscal years ended December 31, 2005, 2004 and 2003. The compensation shown for some executive officers is also included in the Summary Compensation Table in the Proxy Statement.

| Name and Principal Position (a) | Year (b) | Annual Compensation | | | Long Term Compensation | | | | All Other Compensation \$(4) (i) |
|---------------------------------------|-------------|-----------------------|----------------------|--|---|---|---------------------------------|--------|---|
| | | Salary (\$) (c) | Bonus (\$) (d) | Other Annual Compensation (\$)(1) (e) | Awards | | Payouts | | |
| | | | | | Restricted Stock Award(s) \$(2) (f) | Securities Underlying Options/ SARs (#) (g) | LTIP Payouts \$(3) (h) | | |
| | | | | | | | | | |
| Michael J. Chesser | 2005 | 610,000 | 555,707 | - | - | - | - | 27,710 | |
| Chairman of the Board | 2004 | 550,000 | 495,535 | 311,436 | - | - | - | 8,734 | |
| | 2003 | 137,500 | 123,750 | - | 1,115,813 | - | - | 1,403 | |
| William H. Downey | 2005 | 440,000 | 395,292 | - | - | - | 85,947 | 39,210 | |
| President and Chief | 2004 | 400,000 | 270,292 | - | - | - | - | 27,562 | |
| Executive Officer | 2003 | 325,000 | 219,375 | - | 1,001,998 | 5,249 | - | 20,764 | |
| Terry Bassham | 2005 | 210,069 | 141,998 | 76,119 | 275,942 | - | - | 3,228 | |
| Chief Financial Officer | 2004 | - | - | - | - | - | - | - | |
| | 2003 | - | - | - | - | - | - | - | |
| Stephen T. Easley | 2005 | 250,000 | 147,798 | - | 302,000 | - | 40,086 | 14,381 | |
| Senior Vice President- | 2004 | 225,000 | 116,684 | - | - | - | - | 11,972 | |
| Supply | 2003 | 210,000 | 94,500 | - | 128,378 | 2,449 | - | 10,737 | |
| John R. Marshall | 2005 | 192,222 | 347,657 | 157,315 | 636,635 | - | - | 8,338 | |
| Senior Vice President- | 2004 | - | - | - | - | - | - | - | |
| Delivery | 2003 | - | - | - | - | - | - | - | |

- (1) The executive officers named above received certain perquisites from the Company, which may include relocation costs, transportation allowances, a tax and financial planning allowance of up to \$1,500, dues for one club and in limited situations, the expenses of spouses accompanying the executive officers. With the exception of Messrs. Marshall and Bassham in 2005 and Mr. Chesser in 2004, perquisites did not reach in any of the reported years the threshold for reporting of the lesser of either \$50,000 or ten percent of salary and bonus set forth in the applicable rules of the Securities and Exchange Commission.

For 2005, amounts include:

Marshall

- Relocation Costs: \$151,115
- Transportation Allowance: \$4,200
- Club Dues: \$500
- Tax/Financial Planning: \$1,500

Bassham

- Relocation Costs: \$69,173
- Transportation Allowance: \$5,400
- Club Dues: \$875
- Spouse Travel: \$671

For 2004, amounts include:

Chesser

- Relocation Costs: \$299,292
- Transportation Allowance: \$7,200
- Club Dues: \$1,150
- Spouse Travel: \$3,794

(2) At Year-End 2005, amounts include:

Restricted Stock: The dollar value of the restricted stock awards shown in Column (f) above is calculated by multiplying the number of shares awarded by the closing market price of the Great Plains Energy common stock on the date of the grant. The grants of restricted stock vest over time. Unvested grants of restricted stock are forfeited in the event the executive's employment with the Company is terminated (except in the events of retirement, disability or death, in which cases the grants would be prorated for service during the restriction period).

Chesser

12,135 shares vested October 1, 2005. 12,135 shares each vest on October 1, 2006 and October 1, 2007. Dividends are reinvested with the same restrictions as the restricted stock. The value at December 31, 2005, of the remaining restricted stock was \$678,589.

Downey

8,825 shares vested October 1, 2005. 8,825 shares vest on October 1, 2006, and 8,826 shares vest on October 1, 2007. Dividends are reinvested with the same restrictions as the restricted stock. The value at December 31, 2005, of the remaining restricted stock was \$493,522.

Bassham

9,083 shares vest March 28, 2008. Dividends are reinvested with the same restrictions as the restricted stock. The value at December 31, 2005, of the restricted stock was \$253,961.

Easley

10,000 shares vest on February 1, 2008. Dividends are reinvested with the same restrictions as the restricted stock. The value at December 31, 2005, of the restricted stock was \$279,600.

Marshall

20,275 shares of restricted stock were granted in 2005, vesting May 25, 2008. Dividends are reinvested with the same restrictions as the restricted stock. The value at December 31, 2005, of the restricted stock was \$566,889.

(3) The LTIP Payouts for 2005 represent the value of common stock and cash dividends paid under 2003 Performance Shares for the period ended 2005. The value of the payouts are calculated as of February 7, 2006, the date the payouts were approved by the Board.

(4) For 2005, amounts include:

Chesser

- Contribution under the Great Plains Energy Employee Savings Plus Plan: \$6,300
- Contribution under the Great Plains Energy Employee Savings Plus Plan accruing to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$12,000
- Flex dollars under the Great Plains Energy Flexible Benefits Plan: \$6,835
- Deferred flex dollars: \$1,582
- Above-market interest paid on compensation deferred pursuant to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$993

Downey

- Contribution under the Great Plains Energy Employee Savings Plus Plan: \$6,300
- Contribution under the Great Plains Energy Employee Savings Plus Plan accruing to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$6,900
- Flex dollars under the Great Plains Energy Flexible Benefits Plan: \$6,253
- Deferred flex dollars: \$214
- Above-market interest paid on compensation deferred pursuant to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$19,543

Bassham

- Flex Dollars Under the Great Plains Energy Flexible Benefits Plan: \$3,228

Easley

- Contribution under the Great Plains Energy Employee Savings Plus Plan: \$6,300
- Contribution under the Great Plains Energy Employee Savings Plus Plan accruing to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$1,200
- Flex dollars under the Great Plains Energy Flexible Benefits Plan: \$4,192
- Above-market interest paid on compensation deferred pursuant to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$2,689

Marshall

- Contribution under the Great Plains Energy Employee Savings Plus Plan accruing to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$5,200
- Flex dollars under the Great Plains Energy Flexible Benefits Plan: \$2,714
- Above-market interest paid on compensation deferred pursuant to the Great Plains Energy Non-Qualified Deferred Compensation Plan: \$424

Long-Term Incentive Plans – Awards in Last Fiscal Year

| Name (a) | Number of Shares, Units or Other Rights (#) (b)(1) | Performance or Other Period Until Maturation or Payout (c) | Estimated Future Payouts Under Non-Stock Price-Based Plans | | |
|--------------------|---|---|---|----------------------------|-----------------------------|
| | | | Threshold (\$ or #) (d) | Target (\$ or #) (e) | Maximum (\$ or #) (f) |
| Michael J. Chesser | 30,233 shares | 2 years ending 2006 | 0 | 30,233 shares | 60,466 shares |
| | 30,233 shares | 3 years ending 2007 | 0 | 30,233 shares | 60,466 shares |
| William H. Downey | 16,719 shares | 2 years ending 2006 | 0 | 16,719 shares | 33,438 shares |
| | 16,719 shares | 3 years ending 2007 | 0 | 16,719 shares | 33,438 shares |
| Terry Bassham | 6,358 shares | 3 years ending 2007 | 0 | 6,358 shares | 12,716 shares |
| John R. Marshall | 7,096 shares | 3 years ending 2007 | 0 | 7,096 shares | 14,192 shares |
| Stephen T. Easley | 5,782 shares | 2 years ending 2006 | 0 | 5,782 shares | 11,564 shares |
| | 5,782 shares | 3 years ending 2007 | 0 | 5,782 shares | 11,564 shares |

- (1) The awards of performance shares to Messrs. Chesser and Bassham are based on the following weightings of Great Plains Energy objectives during the applicable performance period: 50% total shareholder return compared to other Edison Electric Institute companies; 25% earnings per share; and 25% return on invested capital. The awards of performance shares to Messrs. Downey, Marshall and Easley are based 60%, 20% and 20%, respectively, on the Great Plains Energy objectives, with the remainder based on the following weightings of KCP&L objectives during the applicable performance period: 25% earnings; 25% return on invested capital; 25% on regulatory/build plan on schedule and budget; and 25% distributed utility goal. Payment of performance shares will range from 0% to 200% of the target amount of performance shares, depending on performance. Payment will be made in an amount equal to the number of performance shares earned, multiplied by the fair market value of common stock at the end of the applicable performance period and divided by the fair market value of common stock at the time of grant.

Aggregated Option/SAR Exercises in the Last Fiscal Year and Fiscal Year-End Option/SAR Values

| Name (a) | Shares Acquired on Exercise (#) (b) | Value Realized (\$) (c) | Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#) | | Value of Unexercised In-the-Money Options/SARs at Fiscal Year End (\$) | |
|--------------------|--|----------------------------------|--|----------------------|--|----------------------|
| | | | Exercisable (1)(d) | Unexercisable (d) | Exercisable (1) (e) | Unexercisable (e) |
| Michael J. Chesser | - | - | - | - | - | - |
| William H. Downey | - | - | 40,000 | 5,249 | 109,400 | 1,207 |
| Terry Bassham | - | - | - | - | - | - |
| Stephen T. Easley | - | - | 19,000 | 2,449 | 54,240 | 563 |
| John R. Marshall | - | - | - | - | - | - |

Pension Plans

Great Plains Energy has a non-contributory pension plan (Great Plains Energy Pension Plan) providing for benefits upon retirement, normally at age 65. In addition, a supplemental retirement benefit is provided for selected executive officers based on the number of years such persons were officers. The following table shows examples of single life option pension benefits (including unfunded supplemental retirement benefits) payable upon retirement at age 65 to the named executive officers, assuming that the person was covered by the supplemental retirement benefit for all years of service.

| Average Annual Base Salary for Highest 36 Months | Annual Pension for Years of Service Indicated | | | |
|---|---|---------|---------|------------|
| | 15 | 20 | 25 | 30 or more |
| 150,000 | 45,000 | 60,000 | 75,000 | 90,000 |
| 200,000 | 60,000 | 80,000 | 100,000 | 120,000 |
| 250,000 | 75,000 | 100,000 | 125,000 | 150,000 |
| 300,000 | 90,000 | 120,000 | 150,000 | 180,000 |
| 350,000 | 105,000 | 140,000 | 175,000 | 210,000 |
| 400,000 | 120,000 | 160,000 | 200,000 | 240,000 |
| 450,000 | 135,000 | 180,000 | 225,000 | 270,000 |
| 500,000 | 150,000 | 200,000 | 250,000 | 300,000 |
| 550,000 | 165,000 | 220,000 | 275,000 | 330,000 |
| 600,000 | 180,000 | 240,000 | 300,000 | 360,000 |
| 650,000 | 195,000 | 260,000 | 325,000 | 390,000 |
| 700,000 | 210,000 | 280,000 | 350,000 | 420,000 |
| 750,000 | 225,000 | 300,000 | 375,000 | 450,000 |

Each eligible employee with 30 or more years of credited service, or whose age and years of service add up to 85, is entitled under the Great Plains Energy Pension Plan to a total monthly annuity equal to 50% of their average base monthly salary for the period of 36 consecutive months in which their earnings were highest. The monthly annuity will be proportionately reduced if their years of credited service are less than 30 or if their age and years of service do not add up to 85. The compensation covered by the Great Plains Energy Pension Plan -- base monthly salary -- excludes any bonuses and other compensation. The Great Plains Energy Pension Plan provides that pension amounts are not reduced by Social Security benefits. The estimated years of credited service under the Great Plains Energy Pension Plan for the named executive officers in the Summary Compensation table are as follows.

| Officer | Years of Credited Service |
|-----------------------------------|------------------------------|
| Michael J. Chesser ^(a) | 2.5 |
| William H. Downey | 5.5 |
| Terry Bassham | 0.5 |
| John R. Marshall ^(a) | 0 |
| Stephen T. Easley | 9 |

^(a) Pursuant to the terms of employment agreements, Messrs. Chesser and Marshall will be credited with two years of service for every one year of service earned. The additional year of service will be paid as a supplemental retirement benefit.

Eligibility for supplemental retirement benefits is limited to executive officers selected by the Compensation and Development Committee of the Board; all the named executive officers are participants. The total retirement benefit payable at the normal retirement date is equal to 1 2/3% of highest average annual base salary over the thirty-six consecutive month period when base salary was highest (highest average annual base salary), as shown above, for each year of credited service, plus

an additional 1/3% of highest average annual base salary for each year of credited service when the executive was eligible for supplemental retirement benefits, up to 30 years (or a maximum of 60% of highest average annual base salary in the situation where the executive was eligible for supplemental retirement benefits for at least 30 years). A liability accrues each year to cover the estimated cost of future supplemental benefits.

The Internal Revenue Code imposes certain limitations on pensions that may be paid under tax qualified pension plans. In addition to the supplemental retirement benefits, the amount by which pension benefits exceed the limitations will be paid outside the qualified plan and accounted for by Great Plains Energy as an operating expense.

Severance Agreements

Great Plains Energy has severance agreements (Severance Agreements) with certain of its executive officers, including the named executive officers, to ensure their continued service and dedication and their objectivity in considering on behalf of Great Plains Energy any transaction that would change the control of the Company. Under the Severance Agreements, an executive officer would be entitled to receive a lump-sum cash payment and certain insurance benefits during the three-year period after a Change in Control (or, if later, the three-year period following the consummation of a transaction approved by Great Plains Energy's shareholders constituting a Change in Control) if the officer's employment was terminated by:

- Great Plains Energy other than for cause or upon death or disability;
- the executive officer for Good Reason (as defined in the Severance Agreements); and
- the executive officer for any reason during a 30-day period commencing one year after the Change in Control or, if later, commencing one year following consummation of a transaction approved by Great Plains Energy's shareholders constituting a change in control (a Qualifying Termination).

A Change in Control is defined as:

- an acquisition by a person or group of 20% or more of the Great Plains Energy common stock (other than an acquisition from or by Great Plains Energy or by a Great Plains Energy benefit plan);
- a change in a majority of the Board; and
- approval by the shareholders of a reorganization, merger or consolidation (unless shareholders receive 60% or more of the stock of the surviving Company) or a liquidation, dissolution or sale of substantially all of Great Plains Energy's assets.

Upon a Qualifying Termination, a lump-sum cash payment will be made to the executive officer of:

- the officer's base salary through the date of termination;
- a pro-rated bonus based upon the average of the bonuses paid to the officer for the last five fiscal years;
- any accrued vacation pay;
- two or three times the officer's highest base salary during the prior 12 months;
- two or three times the average of the bonuses paid to the officer for the last five fiscal years;
- the actuarial equivalent of the excess of the officer's accrued pension benefits including supplemental retirement benefits computed without reduction for early retirement and including two or three additional years of benefit accrual service, over the officer's vested accrued pension benefits; and
- the value of any unvested Great Plains Energy contributions for the benefit of the officer under the Great Plains Energy Employee Savings Plus Plan.

In addition, Great Plains Energy must offer health, disability and life insurance plan coverage to the officer and his dependents on the same terms and conditions that existed immediately prior to the Qualifying Termination for two or three years, or, if earlier, until the executive officer is covered by equivalent plan benefits. Great Plains Energy must make certain "gross-up" payments regarding tax obligations relating to payments under the Severance Agreements as well as provide reimbursement of certain expenses relating to possible disputes that might arise.

In the following circumstances, termination of the officer's employment prior to a Change in Control (or, if later, prior to the consummation of a transaction approved by shareholders that constitutes a Change in Control) will be treated as a Qualifying Termination:

- the officer's employment was terminated without Cause (as defined in the Severance Agreement) and the termination was at the request or direction of the other party to the agreement;
- the officer terminates his employment for Good Reason; or
- the officer's employment is terminated without Cause and such termination is otherwise in connection with or in anticipation of a Change in Control that actually occurs.

Payments and other benefits under the Severance Agreements are in addition to balances due under the Great Plains Energy Long-Term Incentive Plan and Annual Incentive Plan. Upon a Change in Control (as defined in the Great Plains Energy Long-Term Incentive Plan), all stock options granted in tandem with limited stock appreciation rights will be automatically exercised.

Other Employment Arrangements

Pursuant to the terms of an employment arrangement, Mr. Chesser is entitled to receive three times annual salary and bonus if he is terminated without cause prior to his reaching age 63. After age 63, any benefit for termination without cause will be one times annual salary and bonus until age 65. Messrs. Chesser and Marshall will receive two credited years of service for every one year of service earned. The additional year of service will be paid as a supplemental retirement benefit.

Director Compensation

The directors of KCP&L receive the following compensation for serving on the Boards of Great Plains Energy and KCP&L:

An annual retainer of \$50,000 was paid in 2005 (\$25,000 of which was used to acquire shares of common stock through the Dividend Reinvestment and Direct Stock Purchase Plan on behalf of each non-employee member of the Board). An additional retainer of \$10,000 was paid annually to the lead director. Also, a retainer of \$6,000, \$5,000 and \$5,000 was paid to the non-employee director serving as chair of the Audit Committee, the Compensation and Development Committee and the Governance Committee, respectively. Attendance fees of \$1,000 for each Board meeting and \$1,000 for each committee and other meeting attended were also paid in 2005. Directors may defer the receipt of all or part of the cash retainers and meeting fees.

Great Plains Energy provides life and medical insurance coverage for each non-employee member of the Board. The total premiums paid by Great Plains Energy for this coverage for all non-employee directors in 2005 was \$32,789. Great Plains Energy pays or reimburses directors for travel, lodging and related expenses they incur in attending Board and committee meetings, including the expenses incurred by directors' spouses in accompanying the directors to one Board meeting in 2005. It also matches up to \$2,000 per year of charitable donations made by a director to 501(c)(3) organizations that meet our strategic giving priorities and are located in the service territory.

Compensation and Development Committee Report on KCP&L Executive Compensation

The Committee's Responsibilities

The Compensation and Development Committee of the Board of Great Plains Energy (Committee) is composed of six non-employee directors, each of whom is independent under applicable standards of the New York Stock Exchange. The Committee is responsible for setting the executive compensation structure and administering the policies and plans that govern compensation for the executive officers. The purpose of this report is to summarize the Committee's compensation philosophy, identify key elements of the executive compensation programs and describe the process and practices applied by the Committee in making compensation decisions for fiscal year 2005.

Compensation Philosophy

The Committee has adopted a compensation philosophy intended to:

- Attract and retain highly qualified and experienced executives;
- Emphasize a significant alignment between pay and Great Plains Energy's and/or the executive's performance;
- Motivate executives to achieve strong short-term and long-term financial and operational results;
- Provide variable compensation opportunities that recognize and reward outstanding performance;
- Align management interests with those of the shareholders; and
- Provide a significant portion of total pay in the form of stock-based incentives, correspondingly requiring target levels of stock ownership.

Compensation Methodology

Each year the Committee reviews data from market surveys, proxy statements, and other information provided by independent compensation consultants relating to an assessment of Great Plains Energy's competitive position with respect to base salaries, annual incentives, long-term incentives, and other specific aspects of executive compensation. The Committee reviews the alignment between executive pay and performance on a regular basis. In the most recent assessment of its compensation practices by the compensation consultant retained by the Committee, it was reported that analyses demonstrated a strong relationship between pay and performance. The Committee also considers in its assessment individual performance, level of responsibility, internal comparisons, and skills and experience. Certain of Great Plains Energy's executive officers serve as officers and/or directors of various subsidiaries. The total compensation of officers is designed to cover the full range of services they provide to Great Plains Energy and its subsidiaries.

Components of Compensation

Base Salary

The Committee reviews executive officer base salaries annually and concurrent with an evaluation of the executive's performance for the prior year. Base salaries are based upon job responsibilities, level of experience, individual performance, comparisons of the salaries of executives in similar positions obtained from market surveys, internal comparisons and competitive data provided by compensation consultants retained by the Committee. The goal for the base salary component is to compensate executives at a level, which approximates the median salaries of individuals in comparable positions in companies of similar size within the industry and general industry, as appropriate. Base salary increases for Messrs. Chesser, Downey and Easley were effective January 1, 2005. Messrs. Bassham and Marshall were not employed by Great Plains Energy until March 28, 2005 and May 25, 2005, respectively.

Annual Incentives

Annual cash incentives are provided to executive officers based upon the achievement of pre-established corporate and business unit objectives, and also provide the ability to recognize individual performance. In 2005, the Committee administered the Great Plains Energy Annual Incentive Plan (the Plan) that permitted the award of annual cash incentives to executive officers, including the Named Executive Officers set forth in the Summary Compensation Table. Target incentives under the Plan are established as a percentage of base pay, using survey data for individuals in comparable positions and markets and internal comparisons. The Committee has established total target annual bonus levels intended to approximate the 50th percentile bonus levels in comparable positions and markets when target performance is achieved. Target annual incentives under the Plan for 2005 ranged from 30% to 60% of base pay. The total amount available for payment was determined by corporate earnings per share and subject to established threshold, target and maximum levels. The Plan will pay out at 100% at target. Fifty percent of the incentive is payable at the threshold level of performance and 150% of the incentive is payable at the maximum level of performance. If performance falls below target, but is above threshold, the amount of the award payable will be below the target award level. Similarly, performance above target will result in an award higher than target level. Individual awards will not be paid if the corporate EPS performance falls below the threshold level. The entire award is distributed proportionately among participants based on other corporate and business unit measures, such as return on invested capital, customer satisfaction, customer retention rate, reliability, and others. Individual performance is also taken into account. For 2005, discretion was used to exclude from Great Plains Energy reported earnings and Strategic Energy pre-tax income goals and results the applicable effects of mark-to-market gains and losses on energy contracts, SECA, certain compensation expenses and discontinued operations. As a result, corporate earnings per share were at the maximum level and individual awards were earned in the amounts set forth in the Summary Compensation Table.

The Annual Incentive Plan of Great Plains Energy Incorporated was amended in February of 2006. The amended Plan will continue to be based on achievement of pre-established company and business unit financial and operational metrics. For 2006, the measures for annual incentives are based 50% on core earnings, and 30% on financial ratios, production availability, achievement of comprehensive energy plan milestones, customer satisfaction, profitability, employee engagement and/or other specified business unit objectives. The Committee also takes into account individual performance to account for 20% of the target award. Individual Incentive amounts will range from 0% to 200% of target based on performance, and the Committee intends to target the 50th percentile or above as the basis for target annual bonus levels. Strategic Energy also revised the Strategic Energy L.L.C. Annual Incentive Plan in February of 2006 and has the same structure and terms as the Great Plains Energy Annual Incentive Plan.

Long-Term Incentive Compensation

The Committee has structured a long-term compensation element to more closely align the interests of management with the creation of long-term shareholder value. The Great Plains Energy Long-Term Incentive Plan was approved by shareholders in 2002, and provides for grants by the Committee of stock options, restricted stock, performance shares, and other stock-based awards. Each executive officer is assigned a long-term incentive target based on both internal comparisons and upon survey data for individuals in comparable positions in the markets in which Great Plains Energy competes for executive talent. Compliance with stock ownership guidelines is also taken into consideration in determining grants under the Long-Term Incentive Program. The Committee has established total target long-term incentive targets at the 50th percentile in comparable positions and markets. Targets range from 40% to 150% of base salary. Based on performance over the period, awards can pay out from 0% to 200%. However, since no long-term grants were made under the program in 2004, in 2005 executives received a two-year performance share grant for 2005-2006 performance, and a three-year performance share grant for 2005-2007 performance. Payouts, if any, will be made after the end of the

period based on performance during the period. Goals for both long-term grants were based on pre-approved corporate and business unit measures.

For 2006, the performance share component of long-term awards will be based on the Company's Total Shareholder Return over a three-year period, as compared to the Total Shareholder Return of the Edison Electric Institute (EEI) Index of electric utilities. The Committee believes this measure ensures strong alignment of executive financial interests with the long-term interests of its shareholders.

KCP&L Chief Executive Officer Compensation

The Committee considers the assessment of the Chief Executive Officer's (CEO) performance and determination of the CEO's compensation as among its principal responsibilities. Its objective with regards to setting an appropriate level of compensation is to motivate and retain a CEO who is committed to delivering sustained superior performance for the Company's shareholders.

In 2005, Mr. Downey received a base salary of \$440,000, which is below the median for CEOs of comparably-sized companies in similar markets. In determining Mr. Downey's base salary, the Committee considered the financial performance of the Company; the cost and quality of services provided; leadership in enhancing the long-term value of the Company; performance against other pre-established objectives; survey data; and consideration of length of service. Mr. Downey's annual incentive compensation award was targeted at 45% of base pay, also considered to be somewhat below market levels. In 2005, Mr. Downey's incentive award was based 80% on Great Plains Energy performance which included a balanced scorecard of financial, customer-related and internal/operational metrics, and 20% on individual performance. Funding for annual awards was based on corporate earnings per share. The Great Plains Energy scorecard resulted in overall performance between target and maximum levels for purposes of the annual incentive plan, and earnings performance allowed funding at the maximum level. Mr. Downey received two long-term performance share grants in 2005 since no awards were made in 2004. Awards were determined in the same manner as for other executive officers. Mr. Downey's long-term incentive target was 115% of base pay, which is consistent with the 50th percentile for comparable CEO positions and markets.

It is the Committee's intent that, when taken together, the components of Mr. Downey's pay, including base salary, annual incentives and long-term incentives, would result in total compensation that would approximate the 50th percentile of the market when incentive plan performance measures are met and in compensation levels at the 75th percentile or higher when incentive plan performance is at superior levels.

Code Section 162(m)

Section 162(m) of the Internal Revenue Code precludes the Company from taking a deduction for compensation in excess of \$1 million for any individual who, on the last day of that year, is the CEO or among the other four highest compensated officers unless that compensation qualifies as performance-based compensation under Section 162(m). With respect to incentive compensation, the Great Plains Energy Long-Term Incentive Plan was approved by shareholders in 2002 and offers vehicles, which are performance-based. It is the Committee's intent to take reasonable steps to include the provisions necessary to qualify for exemptions from the limitations on such deductibility under Section 162(m) at the time the Plan is next taken for shareholder vote in May 2007. With respect to awards under the Great Plains Energy Annual Incentive Plan, the Committee believes that the interests of the Company's shareholders are best served by not restricting the Committee's and Company's discretion and flexibility in developing compensation programs.

COMPENSATION AND DEVELOPMENT COMMITTEE
 William C. Nelson (Chairman)
 Mark A. Ernst
 Luis A. Jimenez
 James A. Mitchell
 Linda H. Talbott
 Robert H. West

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

GREAT PLAINS ENERGY

The information regarding security ownership of the directors and executive officers of Great Plains Energy contained in the section titled "Security Ownership of Certain Beneficial Owners, Directors and Officers" of the Proxy Statement is incorporated by reference.

KCP&L

Great Plains Energy is the sole shareholder of KCP&L. The following table shows beneficial ownership of Great Plains Energy's common stock by the named executive officers, directors and all directors and executive officers of KCP&L as of February 7, 2006, (with the exception of shares held in the Employee Savings Plus Plan, which is reported as of January 31, 2006). The total of all shares owned by directors and executive officers represents less than 1% of Great Plains Energy's common stock.

| Name of Beneficial Owner | Shares of Common Stock Beneficially Owned (1) |
|---|---|
| Named Executive Officers | |
| Michael J. Chesser | 43,973 |
| William H. Downey | 89,255 |
| Terry Bassham | 11,721 |
| Stephen T. Easley | 39,705 |
| John R. Marshall | 25,761 |
| Non-management Directors | |
| David L. Bodde | 10,465 (2) |
| Mark A. Ernst | 8,663 |
| Randall C. Ferguson, Jr. | 4,203 |
| Luis A. Jimenez | 4,650 |
| James A. Mitchell | 5,209 |
| William C. Nelson | 5,069 (3) |
| Linda H. Talbott | 10,781 |
| All KCP&L Executive Officers and Directors As A Group (20 persons) | 334,181 |

(1) Includes restricted stock and exercisable non-qualified stock options.

- **Restricted Stock:** Chesser – 36,006 shares; Downey – 24,487 shares; Bassham – 11,721 shares; Marshall – 23,567 shares; Easley – 12,593 shares; other executive officers – 15,886.
- **Exercisable Non-Qualified Stock Options:** Downey – 40,000 shares; Easley – 19,000 shares; other executive officers – 36,000.

(2) The nominee disclaims beneficial ownership of 1,000 shares reported and held by nominee's mother.

(3) The nominee disclaims beneficial ownership of 62 shares reported and held by nominee's wife.

Equity Compensation Plan

The information regarding Great Plains Energy's equity compensation plan is in Item 5, Market for the Registrants' Common Equity and Related Shareholder Matters, of this report and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

GREAT PLAINS ENERGY

The information contained in the section titled "Security Ownership of Certain Beneficial Owners, Directors and Officers – Certain Relationships and Related Transactions" of the Proxy Statement is incorporated by reference.

KCP&L

See Note 12 to the consolidated financial statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

GREAT PLAINS ENERGY

The information regarding the independent auditors of Great Plains Energy and its subsidiaries contained in the section titled "Audit Committee Report" of the Proxy Statement is incorporated by reference.

KCP&L

The Audit Committee of the Great Plains Energy Board functions as the Audit Committee of KCP&L. The following table sets forth the aggregate fees billed by Deloitte & Touche LLP for audit services rendered in connection with the consolidated financial statements and reports for 2005 and 2004 and for other services rendered during 2005 and 2004 on behalf of the Company and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services:

| Fee Category | 2005 | 2004 |
|--------------------|-------------|--------------|
| Audit Fees | \$1,075,986 | \$ 920,904 |
| Audit-Related Fees | 62,251 | 138,080 |
| Tax Fees | 24,307 | 373,730 |
| All Other Fees | 21,100 | - |
| Total Fees | \$1,183,644 | \$ 1,432,714 |

Audit Fees: Consists of fees billed for professional services rendered for the audits of the annual consolidated financial statements of the Company and its subsidiaries and reviews of the interim condensed consolidated financial statements included in quarterly reports. Audit fees also include: services provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements; audit reports on audits of the effectiveness of internal control over financial reporting and on management's assessment of the effectiveness of internal control over financial reporting and other attest services, except those not required by statute or regulation; services related to filings with the Securities and Exchange Commission, including comfort letter, consents and assistance with and review of documents filed with the Securities and Exchange Commission; and accounting research in support of the audit.

Audit-Related Fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of consolidated financial statements of the Company and its subsidiaries and are not reported under "Audit Fees". These services include consultation concerning financial accounting and reporting standards and services in connection with the Company's assessment of the effectiveness of its internal control over financial reporting (the fees in 2004 aggregated \$131,980).

Tax Fees: Consists of fees billed for tax compliance and related support of tax returns and other tax services, including assistance with tax audits, and tax research and planning. Tax fees for 2004 included \$372,040 of fees that became payable upon resolution of engagements entered into in prior years.

All Other Fees: Consists of fees for all other services other than those reported above. Those services included the development and facilitation of a group training course in 2005.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditor to the Company and its subsidiaries. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted for the Company and its subsidiaries policies and procedures for the pre-approval of services provided by the independent auditor. Under these policies and procedures, the Audit Committee may pre-approve certain types of services, up to aggregate fee levels established by the Audit Committee. The Audit Committee as well may specifically approve audit and permissible non-audit services on a case-by-case basis. Any proposed service within a pre-approved type of service that would cause the applicable fee level to be exceeded cannot be provided unless the Audit Committee either amends the applicable fee level or specifically approves the proposed service. Pre-approval is generally provided for up to one year, unless the Audit Committee specifically provides for a different period. The Audit Committee receives quarterly reports regarding the pre-approved services performed by the independent auditor. The Chairman of the Audit Committee may between meetings pre-approve audit and non-audit services provided by the independent auditor, and report such pre-approval at the next Audit Committee meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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Exhibits**Great Plains Energy Documents**

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|---------------------------|---|
| 2.1 | * Agreement and Plan of Merger among Kansas City Power & Light Company, Great Plains Energy Incorporated and KCP&L Merger Sub Incorporated dated as of October 1, 2001 (Exhibit 2 to Form 8-K dated October 1, 2001). |
| 3.1.a | * Articles of Incorporation of Great Plains Energy Incorporated dated as of February 26, 2001 (Exhibit 3.i to Form 8-K filed October 1, 2001). |
| 3.1.b | * By-laws of Great Plains Energy Incorporated, as amended September 16, 2003 (Exhibit 3.1 to Form 10-Q for the period ended September 30, 2003). |
| 4.1.a | * Resolution of Board of Directors Establishing 3.80% Cumulative Preferred Stock (Exhibit 2-R to Registration Statement, Registration No. 2-40239). |
| 4.1.b | * Resolution of Board of Directors Establishing 4.50% Cumulative Preferred Stock (Exhibit 2-T to Registration Statement, Registration No. 2-40239). |
| 4.1.c | * Resolution of Board of Directors Establishing 4.20% Cumulative Preferred Stock (Exhibit 2-U to Registration Statement, Registration No. 2-40239). |
| 4.1.d | * Resolution of Board of Directors Establishing 4.35% Cumulative Preferred Stock (Exhibit 2-V to Registration Statement, Registration No. 2-40239). |

- 4.1.e * Pledge Agreement, dated June 14, 2004, between Great Plains Energy Incorporated and BNY Midwest Trust Company, as Collateral Agent, Custodial Agent and Securities Intermediary and BNY Midwest Trust Company, as Purchase Contract Agent (Exhibit 4.2 to Form 8-A/A, dated June 14, 2004).
- 4.1.f * Indenture, dated June 1, 2004, between Great Plains Energy Incorporated and BNY Midwest Trust Company, as Trustee (Exhibit 4.5 to Form 8-A/A, dated June 14, 2004).
- 4.1.g * First Supplemental Indenture, dated June 14, 2004, between Great Plains Energy Incorporated and BNY Midwest Trust Company, as Trustee (Exhibit 4.5 to Form 8-A/A, dated June 14, 2004).
- 4.1.h * Form of Income PRIDES (included in Exhibit 4.1 to Form 8-A/A, dated June 14, 2004, as Exhibit A thereto).
- 10.1.a *+ Amended Long-Term Incentive Plan, effective as of May 7, 2002 (Exhibit 10.1.a to Form 10-K for the year ended December 31, 2002).
- 10.1.b + Great Plains Energy Incorporated Long-Term Incentive Plan Awards Standards and Administration effective as of February 7, 2006.
- 10.1.c *+ Form of Restricted Stock Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002 (Exhibit 10.1 to Form 8-K dated February 4, 2005).
- 10.1.d *+ Form of Restricted Stock Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002 (Exhibit 10.2 to Form 8-K dated February 4, 2005).
- 10.1.e + Form of Restricted Stock Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002.
- 10.1.f *+ Form of Performance Share Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002 (Exhibit 10.1.b to Form 10-Q for the quarter ended March 31, 2005).
- 10.1.g *+ Form of Performance Share Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002 (Exhibit 10.1.c to Form 10-Q for the quarter ended March 31, 2005).
- 10.1.h + Form of Performance Share Agreement Pursuant to the Great Plains Energy Incorporated Long-Term Incentive Plan Effective May 7, 2002.
- 10.1.i *+ Strategic Energy, L.L.C. Long-Term Incentive Plan Grants 2005, Amended May 2, 2005 (Exhibit 10.1.f to Form 10-Q for the period ended March 31, 2005).
- 10.1.j + Strategic Energy, L.L.C. Executive Long-Term Incentive Plan 2006.
- 10.1.k *+ Great Plains Energy Incorporated/Kansas City Power & Light Company Annual Incentive Plan 2005, Amended May 3, 2005 (Exhibit 10.1.c to Form 10-Q for the quarter ended March 31, 2005).
- 10.1.l + Great Plains Energy Incorporated Kansas City Power & Light Company Annual Incentive Plan amended as of January 1, 2006.
- 10.1.m + Strategic Energy, L.L.C. Annual Incentive Plan dated January 1, 2006.
- 10.1.n *+ Form of Indemnification Agreement with each officer and director (Exhibit 10-f to Form 10-K for year ended December 31, 1995).

- 10.1.o *+ Form of Conforming Amendment to Indemnification Agreement with each officer and director (Exhibit 10.1.a to Form 10-Q for the period ended March 31, 2003).
- 10.1.p + Form of Indemnification Agreement with officers and directors.
- 10.1.q *+ Form of Restated Severance Agreement dated January 2000 with certain executive officers (Exhibit 10-e to Form 10-K for the year ended December 31, 2000).
- 10.1.r *+ Form of Conforming Amendment to Severance Agreements with certain executive officers (Exhibit 10.1.b to Form 10-Q for the period ended March 31, 2003).
- 10.1.s *+ Great Plains Energy Incorporated Supplemental Executive Retirement Plan, as amended and restated effective October 1, 2003 (Exhibit 10.1.a to Form 10-Q for the period ended September 30, 2003).
- 10.1.t *+ Nonqualified Deferred Compensation Plan (Exhibit 10-b to Form 10-Q for the period ended March 31, 2000).
- 10.1.u + Description of Compensation Arrangements with Directors and Certain Executive Officers.
- 10.1.v *+ Employment Agreement among Strategic Energy, L.L.C., Great Plains Energy Incorporated and Shahid J. Malik, dated as of November 10, 2004 (Exhibit 10.1.p to Form 10-K for the year ended December 31, 2004).
- 10.1.w *+ Severance Agreement among Strategic Energy, L.L.C., Great Plains Energy Incorporated and Shahid J. Malik, dated as of November 10, 2004 (Exhibit 10.1.q to Form 10-K for the year ended December 31, 2004).
- 10.1.x * First Amended and Restated Joint Plan under Chapter 11 of the United States Bankruptcy Code dated March 31, 2003, of Digital Teleport Inc., DTI Holdings, Inc. and Digital Teleport of Virginia, Inc. (Exhibit 10.1.e to Form 10-Q for the period ended March 31, 2003).
- 10.1.y * Credit Agreement dated as of December 15, 2004, among Great Plains Energy Incorporated, Bank of America, N.A., as Syndication Agent, The Bank of Tokyo-Mitsubishi, Ltd, Wachovia Bank, National Association and BNP Paribas, as Co-Documentation Agents, JPMorgan Chase Bank, N.A., as Administrative Agent, The Bank of New York, KeyBank National Association, The Bank of Nova Scotia, U.S. Bank National Association, Merrill Lynch Bank USA, Morgan Stanley Bank, Mizuho Corporate Bank, UMB Bank, N.A., PNC Bank, National Association, Bank Midwest, N.A. and UFJ Bank Limited (Exhibit 10.1.s to Form 10-K for the year ended December 31, 2004).
- 10.1.z * First Amendment, dated October 6, 2005, to the Credit Agreement dated as of December 15, 2004, among Great Plains Energy Incorporated, Bank of America, N.A., as Syndication Agent, The Bank of Tokyo-Mitsubishi, Ltd, Wachovia Bank, National Association and BNP Paribas, as Co-Documentation Agents, JPMorgan Chase Bank, N.A., as Administrative Agent, The Bank of New York, KeyBank National Association, The Bank of Nova Scotia, U.S. Bank National Association, Merrill Lynch Bank USA, Morgan Stanley Bank, Mizuho Corporate Bank, UMB Bank, N.A., PNC Bank, National Association, Bank Midwest, N.A. and UFJ Bank Limited (Exhibit 10.1.a to Form 10-Q for the quarter ended September 30, 2005).

| | |
|---------|---|
| 10.1.aa | * Amended and Restated Credit Agreement, dated as of July 2, 2004, by and among Strategic Energy, L.L.C., LaSalle Bank National Association, PNC Bank, National Association, Citizens Bank of Pennsylvania, Provident Bank, Fifth Third Bank and Sky Bank. (Exhibit 10.2 to Form 10-Q for the period ended June 30, 2004). |
| 10.1.bb | Amendment No. 1 dated as of December 20, 2005, to Amended and Restated Credit Agreement, dated as of July 2, 2004, by and among Strategic Energy, L.L.C., LaSalle Bank National Association, PNC Bank, National Association, Citizens Bank of Pennsylvania, Provident Bank, Fifth Third Bank, First National Bank of Pennsylvania and Sky Bank. |
| 10.1.cc | * Amended and Restated Limited Guaranty dated as of July 2, 2004, by Great Plains Energy Incorporated in favor of the lenders under the Amended and Restated Credit Agreement dated as of July 2, 2004 among Strategic Energy, L.L.C. and the financial institutions from time to time parties thereto. (Exhibit 10.3 to Form 10-Q for the period ended June 30, 2004). |
| 10.1.dd | * General Agreement of Indemnity issued by Great Plains Energy Incorporated and Strategic Energy, L.L.C. in favor of Federal Insurance Company and subsidiary or affiliated insurers dated May 23, 2002 (Exhibit 10.1.a. to Form 10-Q for the period ended June 30, 2002). |
| 10.1.ee | * Agreement of Indemnity issued by Great Plains Energy Incorporated and Strategic Energy, L.L.C. in favor of Federal Insurance Company and subsidiary or affiliated insurers dated May 23, 2002 (Exhibit 10.1.b. to Form 10-Q for the period ended June 30, 2002). |
| 10.1.ff | * Agreement between Great Plains Energy Incorporated and Andrea F. Bielsker dated March 4, 2005 (Exhibit 10.1.jj to Form 10-K for the year ended December 31, 2004). |
| 10.1.gg | * Agreement between Great Plains Energy Incorporated and Jeanie Sell Latz dated April 5, 2005 (Exhibit 10.1 to Form 8-K dated April 5, 2005). |
| 12.1 | Computation of Ratio of Earnings to Fixed Charges. |
| 21.1 | List of Subsidiaries of Great Plains Energy Incorporated. |
| 23.1.a | Consent of Counsel. |
| 23.1.b | Consent of Independent Registered Public Accounting Firm. |
| 24.1 | Powers of Attorney. |
| 31.1.a | Rule 13a-14(a)/15d-14(a) Certifications of Michael J. Chesser. |
| 31.1.b | Rule 13a-14(a)/15d-14(a) Certifications of Terry Bassham. |
| 32.1 | Section 1350 Certifications. |

* Filed with the SEC as exhibits to prior registration statements (except as otherwise noted) and are incorporated herein by reference and made a part hereof. The exhibit number and file number of the documents so filed, and incorporated herein by reference, are stated in parenthesis in the description of such exhibit.

+ Indicates management contract or compensatory plan or arrangement.

Copies of any of the exhibits filed with the SEC in connection with this document may be obtained from Great Plains Energy upon written request.

Great Plains Energy agrees to furnish to the SEC upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of total assets of Great Plains Energy and its subsidiaries on a consolidated basis.

KCP&L Documents

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|---------------------------|--|
| 2.2 | * Agreement and Plan of Merger among Kansas City Power & Light Company, Great Plains Energy Incorporated and KCP&L Merger Sub Incorporated dated as of October 1, 2001 (Exhibit 2 to Form 8-K dated October 1, 2001). |
| 3.2.a | * Restated Articles of Consolidation of Kansas City Power & Light Company, as amended October 1, 2001 (Exhibit 3-(i) to Form 10-Q for the period ended September 30, 2001). |
| 3.2.b | By-laws of Kansas City Power & Light Company, as amended November 1, 2005. |
| 4.2.a | * General Mortgage and Deed of Trust dated as of December 1, 1986, between Kansas City Power & Light Company and UMB Bank, n.a. (formerly United Missouri Bank of Kansas City, N.A.), Trustee (Exhibit 4-bb to Form 10-K for the year ended December 31, 1986). |
| 4.2.b | * Fourth Supplemental Indenture dated as of February 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-y to Form 10-K for the year ended December 31, 1991). |
| 4.2.c | * Fifth Supplemental Indenture dated as of September 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-a to quarterly report on Form 10-Q for the period ended September 30, 1992). |
| 4.2.d | * Seventh Supplemental Indenture dated as of October 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4-a to quarterly report on Form 10-Q for the period ended September 30, 1993). |
| 4.2.e | * Eighth Supplemental Indenture dated as of December 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4 to Registration Statement, Registration No. 33-51799). |
| 4.2.f | * Eleventh Supplemental Indenture dated as of August 15, 2005, to the General Mortgage and Deed of Trust dated as of December 1, 1986, between Kansas City Power & Light Company and UMB Bank, n.a. (formerly United Missouri Bank of Kansas City, N.A.), Trustee (Exhibit 4.2 to Form 10-Q for the quarter ended September 30, 2005). |
| 4.2.g | * Indenture for Medium-Term Note Program dated as of February 15, 1992, between Kansas City Power & Light Company and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-45736). |
| 4.2.h | * Indenture for \$150 million aggregate principal amount of 6.50% Senior Notes due November 15, 2011 and \$250 million aggregate principal amount of 7.125% Senior Notes due December 15, 2005 dated as of December 1, 2000, between Kansas City Power & Light Company and The Bank of New York (Exhibit 4-a to Report on Form 8-K dated December 18, 2000). |
| 4.2.i | * Indenture dated March 1, 2002 between The Bank of New York and Kansas City Power & Light Company (Exhibit 4.1.b. to Form 10-Q for the period ended March 31, 2002). |

- 4.2.j Supplemental Indenture No. 1 dated as of November 15, 2005, to Indenture dated March 1, 2002 between The Bank of New York and Kansas City Power & Light Company.
- 4.2.k Registration Rights Agreement dated as of November 17, 2005, among Kansas City Power & Light Company, and BNP Paribas Securities Corp. and J.P. Morgan Securities Inc. as representatives of the several initial purchasers.
- 10.2.a * Railcar Lease dated as of January 31, 1995, between First Security Bank of Utah, National Association, and Kansas City Power & Light Company (Exhibit 10-o to Form 10-K for the year ended December 31, 1994).
- 10.2.b * Railcar Lease dated as of September 8, 1998, with CCG Trust Corporation (Exhibit 10(b) to Form 10-Q for the period ended September 30, 1998).
- 10.2.c * Insurance agreement between Kansas City Power & Light Company and XL Capital Assurance Inc., dated December 5, 2002 (Exhibit 10.2.f to Form 10-K for the year ended December 31, 2002).
- 10.2.d * Insurance Agreement dated as of August 1, 2004, between Kansas City Power & Light Company and XL Capital Assurance Inc. (Exhibit 10.2 to Form 10-Q for the period ended September 30, 2004).
- 10.2.e Insurance Agreement dated as of September 1, 2005, between Kansas City Power & Light Company and XL Capital Assurance Inc.
- 10.2.f Insurance Agreement dated as of September 1, 2005, between Kansas City Power & Light Company and XL Capital Assurance Inc.
- 10.2.g * Credit Agreement dated as of December 15, 2004, among Kansas City Power & Light Company, Bank of America, N.A., as Syndication Agent, The Bank of Tokyo-Mitsubishi, Ltd, Wachovia Bank, National Association and BNP Paribas, as Co-Documentation Agents, JPMorgan Chase Bank, N.A., as Administrative Agent, The Bank of New York, KeyBank National Association, The Bank of Nova Scotia, U.S. Bank National Association, Merrill Lynch Bank USA, Morgan Stanley Bank, Mizuho Corporate Bank, UMB Bank, N.A., PNC Bank, National Association, Bank Midwest, N.A. and UFJ Bank Limited (Exhibit 10.2.h to Form 10-K for the year ended December 31, 2004).
- 10.2.h * First Amendment, dated October 6, 2005, to the Credit Agreement dated as of December 15, 2004, among Kansas City Power & Light Company, Bank of America, N.A., as Syndication Agent, The Bank of Tokyo-Mitsubishi, Ltd, Wachovia Bank, National Association and BNP Paribas, as Co-Documentation Agents, JPMorgan Chase Bank, N.A., as Administrative Agent, The Bank of New York, KeyBank National Association, The Bank of Nova Scotia, U.S. Bank National Association, Merrill Lynch Bank USA, Morgan Stanley Bank, Mizuho Corporate Bank, UMB Bank, N.A., PNC Bank, National Association, Bank Midwest, N.A. and UFJ Bank Limited (Exhibit 10.2.a to Form 10-Q for the quarter ended September 30, 2005).
- 10.2.i * Stipulation and Agreement dated March 28, 2005, among Kansas City Power & Light Company, Staff of the Missouri Public Service Commission, Office of the Public Counsel, Missouri Department of Natural Resources, Praxair, Inc., Missouri Independent Energy Consumers, Ford Motor Company, Aquila, Inc., The Empire District Electric Company, and Missouri Joint Municipal Electric Utility Commission (Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2005).

- 10.2.j * Stipulation and Agreement filed April 27, 2005, among Kansas City Power & Light Company, the Staff of the State Corporation Commission of the State of Kansas, Sprint, Inc., and the Kansas Hospital Association (Exhibit 10.2.a to Form 10-Q for the quarter ended June 30, 2005).
- 10.2.k * Purchase and Sale Agreement dated as of July 1, 2005, between Kansas City Power & Light Company, as Originator, and Kansas City Power & Light Receivables Company, as Buyer (Exhibit 10.2.b to Form 10-Q for the quarter ended June 30, 2005).
- 10.2.l * Receivables Sale Agreement dated as of July 1, 2005, among Kansas City Power & Light Receivables Company, as the Seller, Kansas City Power & Light Company, as the Initial Collection Agent, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as the Agent, and Victory Receivables Corporation (Exhibit 10.2.c to Form 10-Q for the quarter ended June 30, 2005).
- 12.2 Computation of Ratio of Earnings to Fixed Charges.
- 23.2.a Consent of Counsel.
- 23.2.b Consent of Independent Registered Public Accounting Firm.
- 24.2 Powers of Attorney.
- 31.2.a Rule 13a-14(a)/15d-14(a) Certifications of William H. Downey.
- 31.2.b Rule 13a-14(a)/15d-14(a) Certifications of Terry Bassham.
- 32.2 Section 1350 Certifications.

* Filed with the SEC as exhibits to prior registration statements (except as otherwise noted) and are incorporated herein by reference and made a part hereof. The exhibit number and file number of the documents so filed, and incorporated herein by reference, are stated in parenthesis in the description of such exhibit.

Copies of any of the exhibits filed with the SEC in connection with this document may be obtained from KCP&L upon written request.

KCP&L agrees to furnish to the SEC upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of total assets of KCP&L and its subsidiaries on a consolidated basis.

Schedule I – Parent Company Financial Statements

GREAT PLAINS ENERGY INCORPORATED
Income Statements of Parent Company

| Year Ended December 31 | 2005 | 2004 | 2003 |
|---|-------------|-------------|-------------|
| Operating Expenses | | (millions) | |
| Other | \$ 7.1 | \$ 8.5 | \$ 5.3 |
| General taxes | 0.3 | 0.2 | 0.2 |
| Total | 7.4 | 8.7 | 5.5 |
| Operating loss | (7.4) | (8.7) | (5.5) |
| Equity from earnings in subsidiaries | 178.2 | 199.2 | 149.5 |
| Non-operating income | 1.6 | 2.3 | 3.1 |
| Non-operating expenses | (0.1) | (0.2) | (0.4) |
| Interest charges | (9.4) | (8.1) | (4.6) |
| Income before income taxes | 162.9 | 184.5 | 142.1 |
| Income taxes | (0.6) | (3.7) | 2.8 |
| Net income | 162.3 | 180.8 | 144.9 |
| Preferred stock dividend requirements | 1.6 | 1.6 | 1.6 |
| Earnings available for common shareholders | \$ 160.7 | \$ 179.2 | \$ 143.3 |
| Average number of common shares outstanding | 74.6 | 72.0 | 69.2 |
| Basic and diluted earnings per common share | \$ 2.15 | \$ 2.49 | \$ 2.07 |
| Cash dividends per common share | \$ 1.66 | \$ 1.66 | \$ 1.66 |

The accompanying Notes to Financial Statements of Parent Company are an integral part of these statements.

GREAT PLAINS ENERGY INCORPORATED
Balance Sheets of Parent Company

| | December 31 | |
|--|-------------|------------|
| | 2005 | 2004 |
| | (millions) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2.0 | \$ 2.8 |
| Accounts receivable from subsidiaries | 1.0 | 0.8 |
| Notes receivable from subsidiaries | 5.4 | 19.3 |
| Taxes receivable | 1.8 | 4.4 |
| Other | 0.5 | 0.5 |
| Total | 10.7 | 27.8 |
| Nonutility Property and Investments | | |
| Investment in KCP&L | 1,141.0 | 1,099.6 |
| Investments in other subsidiaries | 288.0 | 248.7 |
| Total | 1,429.0 | 1,348.3 |
| Deferred Charges and Other Assets | | |
| Total | 2.0 | 2.5 |
| Total | \$ 1,441.7 | \$ 1,378.6 |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities | | |
| Notes payable | \$ 6.0 | \$ 20.0 |
| Accounts payable to subsidiaries | 0.5 | - |
| Accounts payable | 0.1 | - |
| Accrued interest | 1.7 | 1.6 |
| Other | 6.5 | 6.1 |
| Total | 14.8 | 27.7 |
| Deferred Credits and Other Liabilities | | |
| Total | 0.9 | 6.7 |
| Capitalization | | |
| Common shareholders' equity | | |
| Common stock-150,000,000 shares authorized without par value | | |
| 74,783,824 and 74,394,423 shares issued, stated value | 777.2 | 765.5 |
| Unearned compensation | (2.1) | (1.4) |
| Capital stock premium and expense | (30.7) | (32.1) |
| Retained earnings | 488.0 | 451.5 |
| Treasury stock-43,376 and 28,488 shares, at cost | (1.3) | (0.9) |
| Accumulated other comprehensive loss | (7.7) | (41.0) |
| Total | 1,223.4 | 1,141.6 |
| Cumulative preferred stock \$100 par value | | |
| 3.80% - 100,000 shares issued | 10.0 | 10.0 |
| 4.50% - 100,000 shares issued | 10.0 | 10.0 |
| 4.20% - 70,000 shares issued | 7.0 | 7.0 |
| 4.35% - 120,000 shares issued | 12.0 | 12.0 |
| Total | 39.0 | 39.0 |
| Long-term debt | 163.6 | 163.6 |
| Total | 1,426.0 | 1,344.2 |
| Commitments and Contingencies | | |
| Total | \$ 1,441.7 | \$ 1,378.6 |

The accompanying Notes to Financial Statements of Parent Company are an integral part of these statements.

GREAT PLAINS ENERGY INCORPORATED
Statements of Cash Flows of Parent Company

| Year Ended December 31 | 2005 | 2004 | 2003 |
|--|----------------|----------------|---------------|
| Cash Flows from Operating Activities | | (millions) | |
| Net income | \$ 162.3 | \$ 180.8 | \$ 144.9 |
| Adjustments to reconcile income to net cash from operating activities: | | | |
| Amortization | 0.6 | 1.8 | - |
| Deferred income taxes, net | - | 0.6 | (0.6) |
| Equity in earnings from subsidiaries | (178.2) | (199.2) | (149.5) |
| Cash flows affected by changes in: | | | |
| Accounts receivable from subsidiaries | (0.4) | 4.3 | (3.0) |
| Taxes receivable | 2.6 | (4.4) | - |
| Accounts payable to subsidiaries | 0.5 | (0.8) | (1.9) |
| Other accounts payable | 0.1 | - | (0.2) |
| Accrued and current taxes | - | (7.5) | 1.2 |
| Accrued interest | 0.1 | 0.8 | 0.1 |
| Cash dividends from subsidiaries | 133.9 | 210.1 | 98.0 |
| Other | 3.0 | 0.4 | 0.7 |
| Net cash from operating activities | <u>124.5</u> | <u>186.9</u> | <u>89.7</u> |
| Cash Flows from Investing Activities | | | |
| Equity contributions to subsidiaries | - | (305.0) | (100.0) |
| Net change in notes receivable from subsidiaries | 11.0 | 7.8 | 56.3 |
| Net cash from investing activities | <u>11.0</u> | <u>(297.2)</u> | <u>(43.7)</u> |
| Cash Flows from Financing Activities | | | |
| Issuance of common stock | 9.1 | 153.7 | - |
| Issuance of long-term debt | - | 163.6 | - |
| Issuance fees | - | (12.1) | - |
| Net change in short-term borrowings | (14.0) | (67.0) | 68.3 |
| Dividends paid | (125.5) | (120.8) | (116.5) |
| Other financing activities | (5.9) | (5.0) | (0.4) |
| Net cash from financing activities | <u>(136.3)</u> | <u>112.4</u> | <u>(48.6)</u> |
| Net Change in Cash and Cash Equivalents | <u>(0.8)</u> | <u>2.1</u> | <u>(2.6)</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>2.8</u> | <u>0.7</u> | <u>3.3</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2.0</u> | <u>\$ 2.8</u> | <u>\$ 0.7</u> |

The accompanying Notes to Financial Statements of Parent Company are an integral part of these statements.

GREAT PLAINS ENERGY INCORPORATED
Statements of Common Shareholders' Equity of Parent Company
Statements of Comprehensive Income of Parent Company

Incorporated by reference is Great Plains Energy Consolidated Statements of Common Shareholders' Equity and Consolidated Statements of Comprehensive Income.

GREAT PLAINS ENERGY INCORPORATED
NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY

The following are supplemental notes to the Great Plains Energy Incorporated Parent Company Financial Statements and should be read in conjunction with the Great Plains Energy Incorporated Notes to Consolidated Financial Statements in Part II, Item. 8.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Great Plains Energy, a Missouri corporation incorporated in 2001, is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries.

2. GUARANTEES

In the normal course of business, Great Plains Energy and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees and indemnification of letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended business purposes. The majority of these agreements guarantee the future performance of Great Plains Energy or its subsidiaries, so a liability for the fair value of the obligation is not recorded.

Great Plains Energy has provided \$122.0 million of guarantees to support certain Strategic Energy power purchases and regulatory requirements. At December 31, 2005, guarantees related to Strategic Energy are as follows:

- Great Plains Energy direct guarantees to counterparties totaling \$58.0 million, which expire in 2006,
- Great Plains Energy provides indemnifications to the issuers of surety bonds totaling \$0.5 million, which expire in 2006,
- Great Plains Energy guarantees related to letters of credit totaling \$25.0 million, which expire in 2006 and
- Great Plains Energy letters of credit totaling \$38.5 million.

Schedule II – Valuation and Qualifying Accounts and Reserves

Great Plains Energy Valuation and Qualifying Accounts Years Ended December 31, 2005, 2004 and 2003

| Description | Balance At Beginning Of Period | Additions | | Deductions | Balance At End Of Period |
|--------------------------------------|--------------------------------------|--|---------------------------------|------------------------|--------------------------------|
| | | Charged To Costs And Expenses | Charged To Other Accounts | | |
| Year Ended December 31, 2005 | | | (millions) | | |
| Allowance for uncollectible accounts | \$ 6.4 | \$ 6.9 | \$ 5.0 ^(a) | \$ 11.4 ^(b) | \$ 6.9 |
| Legal reserves | 3.2 | 4.5 | - | 1.8 ^(c) | 5.9 |
| Environmental reserves | 0.3 | - | - | - | 0.3 |
| Uncertain tax positions | 13.4 | 1.2 | - | 10.0 ^(d) | 4.6 |
| Year Ended December 31, 2004 | | | | | |
| Allowance for uncollectible accounts | \$ 8.5 | \$ 5.4 | \$ 2.8 ^(a) | \$ 10.3 ^(b) | \$ 6.4 |
| Legal reserves | 4.0 | 1.4 | - | 2.2 ^(c) | 3.2 |
| Environmental reserves | 1.8 | - | - | 1.5 ^(e) | 0.3 |
| Uncertain tax positions | 16.8 | 3.2 | - | 6.6 ^(d) | 13.4 |
| Year Ended December 31, 2003 | | | | | |
| Allowance for uncollectible accounts | \$ 8.8 | \$ 5.1 | \$ 2.8 ^(a) | \$ 8.2 ^(b) | \$ 8.5 |
| Legal reserves | 3.8 | 3.3 | - | 3.1 ^(c) | 4.0 |
| Environmental reserves | 1.9 | - | - | 0.1 ^(f) | 1.8 |
| Tax valuation allowance | 15.8 | (15.8) ^(g) | - | - | - |
| Uncertain tax positions | 2.5 | 12.0 | 3.6 ^(h) | 1.3 ^(d) | 16.8 |
| Discontinued operations | 1.7 | - | - | 1.7 ⁽ⁱ⁾ | - |

^(a) Recoveries. Charged to other accounts for the year ended December 31, 2005, includes the establishment of an allowance of \$1.6 million.

^(b) Uncollectible accounts charged off. Deductions for the year ended December 31, 2004, includes a charge off of \$1.4 million by Worry Free.

^(c) Payment of claims.

^(d) Reversal of uncertain tax positions. Deductions for the year ended December 31, 2005, includes a reclass of \$0.8 million to franchise taxes payable. Deductions for the year ended December 31, 2003, includes taxes paid for an IRS settlement.

^(e) Reversal of reserve for remediation of soil and groundwater.

^(f) Payment of expenses.

^(g) A tax valuation allowance of \$15.8 million was recorded at KLT Telecom in 2001 to reduce the income tax benefits arising primarily from DTI's 2002 abandonment of its \$104 million of long-haul assets. The allowance was necessary due to the uncertainty of recognizing future tax deductions while DTI was in the bankruptcy process. The allowance was reversed in 2003 after confirmation of the DTI restructuring plan.

^(h) Establishment of liability for uncertain tax positions for prior years current tax expense in excess of taxes paid.

⁽ⁱ⁾ In 2003, HSS completed the disposition of its interest in RSAE.

Kansas City Power & Light Company
Valuation and Qualifying Accounts
Years Ended December 31, 2005, 2004 and 2003

| Description | Balance At Beginning Of Period | Additions | | Deductions | Balance At End Of Period |
|-------------|--------------------------------------|--|---------------------------------|------------|--------------------------------|
| | | Charged To Costs And Expenses | Charged To Other Accounts | | |

| | | | | | |
|--------------------------------------|--------|--------|------------|------------|--------|
| Year Ended December 31, 2005 | | | | | |
| | | | (millions) | | |
| Allowance for uncollectible accounts | \$ 1.7 | \$ 3.3 | \$ 4.6 (a) | \$ 7.0 (b) | \$ 2.6 |
| Legal reserves | 3.2 | 3.1 | - | 1.8 (c) | 4.5 |
| Environmental reserves | 0.3 | - | - | - | 0.3 |
| Uncertain tax positions | 3.7 | 0.3 | - | 2.8 (d) | 1.2 |
| Year Ended December 31, 2004 | | | | | |
| Allowance for uncollectible accounts | \$ 4.9 | \$ 2.6 | \$ 2.7 (a) | \$ 8.5 (b) | \$ 1.7 |
| Legal reserves | 3.8 | 1.4 | - | 2.0 (c) | 3.2 |
| Environmental reserves | 1.8 | - | - | 1.5 (e) | 0.3 |
| Uncertain tax positions | 6.4 | 2.1 | - | 4.8 (d) | 3.7 |
| Year Ended December 31, 2003 | | | | | |
| Allowance for uncollectible accounts | \$ 5.6 | \$ 3.5 | \$ 2.7 (a) | \$ 6.9 (b) | \$ 4.9 |
| Legal reserves | 3.8 | 3.1 | - | 3.1 (c) | 3.8 |
| Environmental reserves | 1.9 | - | - | 0.1 (f) | 1.8 |
| Uncertain tax positions | 2.5 | 3.9 | 1.2 (g) | 1.2 (d) | 6.4 |
| Discontinued operations | 1.7 | - | - | 1.7 (h) | - |

(a) Recoveries. Charged to other accounts for the year ended December 31, 2005, includes the establishment of an allowance of \$1.6 million.

(b) Uncollectible accounts charged off. Deductions for the year ended December 31, 2004, includes a charge off of \$1.4 million by Worry Free.

(c) Payment of claims.

(d) Reversal of uncertain tax positions. Deductions for the year ended December 31, 2005, includes a reclass of \$0.8 million to franchise taxes payable. Deductions for the year ended December 31, 2003, includes taxes paid for an IRS settlement.

(e) Reversal of reserve for remediation of soil and groundwater.

(f) Payment of expenses.

(g) Establishment of liability for uncertain tax positions for prior years current tax expense in excess of taxes paid.

(h) In 2003, HSS completed the disposition of its interest in RSAE.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREAT PLAINS ENERGY INCORPORATED

Date: March 8, 2006

By: /s/Michael J. Chesser
Michael J. Chesser
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---------------------------|--|---------------|
| /s/Michael J. Chesser | Chairman of the Board and Chief Executive Officer | |
| Michael J. Chesser | (Principal Executive Officer) | |
| /s/Terry Bassham | Executive Vice President – Finance and Strategic Development and Chief Financial Officer | |
| Terry Bassham | (Principal Financial Officer) | |
| /s/Lori A. Wright | Controller | |
| Lori A. Wright | (Principal Accounting Officer) | |
| David L. Bodde* | Director | March 8, 2006 |
| /s/William H. Downey | Director | |
| William H. Downey | | |
| Mark A. Ernst* | Director | |
| Randall C. Ferguson, Jr.* | Director | |
| William K. Hall* | Director | |
| Luis A. Jimenez* | Director | |
| James A. Mitchell* | Director | |
| William C. Nelson* | Director | |
| Linda H. Talbott* | Director | |
| Robert H. West* | Director | |
| *By /s/Michael J. Chesser | | |
| Michael J. Chesser | | |
| Attorney-in-Fact* | | |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 8, 2006

KANSAS CITY POWER & LIGHT COMPANY

By: /s/ William H. Downey

William H. Downey

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---------------------------|--------------------------------|---------------|
| /s/ William H. Downey | President and Chief Executive | |
| William H. Downey | Officer and Director | |
| | (Principal Executive Officer) | |
| | | |
| /s/Terry Bassham | Chief Financial Officer | |
| Terry Bassham | (Principal Financial Officer) | |
| | | |
| /s/Lori A. Wright | Controller | |
| Lori A. Wright | (Principal Accounting Officer) | |
| | | |
| David L. Bodde* | Director | March 8, 2006 |
| | | |
| /s/Michael J. Chesser | Chairman of the Board | |
| Michael J. Chesser | | |
| | | |
| Mark A. Ernst* | Director | |
| | | |
| Randall C. Ferguson, Jr.* | Director | |
| | | |
| Luis A. Jimenez* | Director | |
| | | |
| James A. Mitchell* | Director | |
| | | |
| William C. Nelson* | Director | |
| | | |
| Linda H. Talbott* | Director | |
| | | |
| *By /s/Michael J. Chesser | | |
| Michael J. Chesser | | |
| Attorney-in-Fact* | | |

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act.

KCP&L did not send any annual report to security holders covering its last fiscal year, and did not send any proxy statement, form of proxy or other proxy soliciting material to its security holders with respect to any annual or other meeting of security holders.

CERTIFICATIONS

I, Michael J. Chesser, certify that:

1. I have reviewed this annual report on Form 10-K of Great Plains Energy Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2006

/s/ Michael J. Chesser
Michael J. Chesser
Chairman of the Board and Chief Executive
Officer

CERTIFICATIONS

I, Terry Bassham, certify that:

1. I have reviewed this annual report on Form 10-K of Great Plains Energy Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2006

/s/ Terry Bassham

Terry Bassham

Executive Vice President – Finance and Strategic
Development and Chief Financial Officer

NYSE: GXP



For more information on Great Plains Energy, Kansas City Power & Light or Strategic Energy, visit us online:
www.greatplainsenergy.com www.kcpl.com www.sel.com